

## **Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans**



**July 30, 2012**

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>30 JUL 2012</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2012 to 00-00-2012</b>	
4. TITLE AND SUBTITLE <b>Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Office of the Special Inspector General for Afghanistan Reconstruction, 2530 Crystal Drive, Arlington, VA, 22202</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>67</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			



# SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-12-12

July 2012

## Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans

### What SIGAR Reviewed

In the fiscal year 2011 National Defense Authorization Act, Congress created the Afghanistan Infrastructure Project (AIP) to allow the Department of Defense (DOD) and Department of State (State) to combine resources to develop and carry out infrastructure projects in Afghanistan that are explicitly linked to the U.S. counterinsurgency (COIN) effort. The U.S. Agency for International Development (USAID) is the implementing agency for State, and U.S. Forces-Afghanistan (USFOR-A) is the implementing agency for DOD. USAID executes its projects through contracts, while USFOR-A executes projects through contracts managed by the U.S. Army Corps of Engineers (USACE). Legislative provisions related to AIP require implementing agencies to show how they will sustain projects and report to Congress before and after obligating, disbursing, or transferring funds for AIP projects. This report determines the extent to which (1) AIF-funded projects were implemented on schedule and achieving planned COIN effects; (2) DOD, State, and USAID addressed project sustainment costs and other sustainment challenges; and (3) agencies coordinated and jointly managed AIP.

To accomplish these objectives, SIGAR obtained data and met with officials from DOD, State, USAID, and the Asian Development Bank. SIGAR limited the scope of the audit to execution, administration, and oversight of the AIP and fiscal year 2011 AIF projects that were ongoing or planned for implementation as of January 1, 2012. SIGAR conducted work from November 2011 to June 2012 in Washington, D.C., and in Kabul and Kandahar, Afghanistan, in accordance with generally accepted government auditing standards.

### What SIGAR Found

More than 10 years after international intervention in Afghanistan, the U.S. government, the international community, and the Afghan government continue to face challenges in implementing programs to build basic infrastructure, particularly those efforts aimed at providing power to the largest cities and most critical areas in Afghanistan. For example, five of seven fiscal year 2011 AIF projects are 6-15 months behind schedule, and most projects may not achieve desired COIN benefits for several years. Acquisition and funding delays postponed the project execution schedules of most fiscal year 2011 AIF projects, including all power sector projects, except the Kandahar Bridging Solution. In addition, although DOD, State, and USAID made efforts to identify potential COIN benefits of fiscal year 2011 AIF projects, the scale of most projects means that these agencies will not achieve the planned contributions to the COIN strategy described in the fiscal year 2011 congressional notification for several years. Further, in some instances, these projects may result in adverse COIN effects because they create an expectations gap among the affected population or lack citizen support.

DOD and State did not ensure the sustainability of fiscal year 2011 AIF projects. For example, although implementing agencies produced sustainment plans for each fiscal year 2011 AIF project, as required, these plans did not define project sustainment costs, and agencies did not communicate such costs to the Afghan government. Moreover, in some cases—such as the Kandahar Bridging Solution and the Southeast Power System projects—the sustainment of fiscal year 2011 AIF projects relies on the completion of additional projects that remain unidentified, unfunded, or have projected completion dates well beyond 2014. Because agencies did not develop adequate sustainment plans, and project sustainment relies on Afghan entities with questionable capacity and on unidentified and unfunded projects or projects with completion dates beyond 2014, the U.S. government does not have reasonable assurance that projects implemented using fiscal year 2011 AIF funds will be sustained after completion.

Agencies are developing mechanisms for joint project management. However, the lack of comprehensive and shared project information and unclear guidance on agency roles in project execution limit congressional oversight and interagency coordination.

### What SIGAR Recommends

SIGAR is recommending 9 actions to better define the AIP, enhance joint decision making, coordination, and oversight among U.S. government agencies implementing AIP projects, help ensure the successful and timely development of Afghanistan's power sector, and increase the likelihood that AIP projects achieve program goals specifically related to COIN and are sustained upon completion. SIGAR is also recommending actions to help ensure the timely completion of congressional notifications and reports, as well as the timely receipt or transfer of appropriated funds. When preparing the final report, SIGAR considered comments on a draft report from State, the U.S. Embassy Kabul, USAID, USFOR-A, and the Office of the Secretary of Defense (OSD). State, the U.S. Embassy Kabul, and USAID generally concurred with the recommendations. USFOR-A responded to eight recommendations, concurred or partially concurred with seven and did not concur with one. OSD responded to eight recommendations, concurred or partially concurred with five and did not concur with three. Comments from all five agencies are reproduced in appendices V-IX.

For more information contact: SIGAR Public Affairs at (703) 545-5974 or [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)



## Special Inspector General for Afghanistan Reconstruction

Main: 703-545-6000  
1550 Crystal Drive, 9th Floor  
Arlington, VA  
[www.sigar.mil](http://www.sigar.mil)

John F. Sopko, Special Inspector General

July 30, 2012

The Honorable Hillary Rodham Clinton  
Secretary of State

The Honorable Leon E. Panetta  
Secretary of Defense

The Honorable James B. Cunningham  
U.S. Ambassador to Afghanistan

General John R. Allen  
Commander, U.S. Forces – Afghanistan, and  
Commander, International Security Assistance Force

Dr. S. Ken Yamashita  
USAID Mission Director for Afghanistan

This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) audit of the Afghanistan Infrastructure Program and Fund. This program is intended to leverage and coordinate Department of Defense and Department of State resources for large-scale infrastructure projects in Afghanistan. However, several fiscal year 2011 projects are 6 to 15 months behind schedule, and sustainment plans are incomplete. This report includes 9 recommendations to the Secretary of Defense, Secretary of State, the Commander of U.S. Forces-Afghanistan (USFOR-A), the U.S. Ambassador to Afghanistan, and the U.S. Agency for International Development (USAID) Mission Director in Afghanistan to improve the implementation and oversight of U.S. funding for Afghanistan infrastructure projects.

We considered comments from the Department of State, the U.S. Embassy in Kabul, USAID, USFOR-A, and the Office of the Secretary of Defense (OSD), which are reproduced in appendices V-IX. OSD believes that the audit report is premature and strongly disagrees with many of our findings and conclusions. We conducted the audit early in the program's implementation so that opportunities for improvement could be identified and addressed prior to the withdrawal of U.S. and coalition troops. In addition, we conducted our work in accordance with generally accepted government auditing standards, which require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SIGAR conducted this performance audit under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978; and the Inspector General Reform Act of 2008.

John F. Sopko  
Special Inspector General for Afghanistan Reconstruction

Mailing Address: 2530 Crystal Drive, Arlington VA 22202-3940

## TABLE OF CONTENTS

---

Background.....	2
Most Fiscal Year 2011 AIF Projects are 6-15 Months Behind Original Schedule and Some Projects May Not Achieve Desired COIN Effects .....	4
DOD, State, and USAID Did Not Calculate Sustainment Costs or Otherwise Ensure Sustainability .....	8
Congressional Oversight and Interagency Coordination Are Limited by Lack of Shared Information and Master Plan for Energy Sector.....	11
Conclusions.....	14
Recommendations.....	14
Agency Comments.....	16
Appendix I: Scope and Methodology .....	19
Appendix II: Fiscal Year 2011 and 2012 Afghanistan Infrastructure Fund Project Nomination and Approval Process .....	21
Appendix III: Planned Contribution to Counterinsurgency Strategy of Fiscal Year 2011 Afghanistan Infrastructure Fund Projects .....	22
Appendix IV: Required Reports and Fiscal Year 2011 Congressional Notification Timeline .....	23
Appendix V: Comments from the Department of State.....	25
Appendix VI: Comments from the U.S. Embassy Kabul .....	27
Appendix VII: Comments from the U.S. Agency for International Development .....	32
Appendix VIII: Comments from the U.S. Forces Afghanistan.....	40
Appendix IX: Comments from the Office of the Secretary of Defense.....	48

## TABLES

Table 1: Fiscal Year 2011 AIF Projects (dollars in millions) .....	4
Table I: Planned COIN Contributions of Fiscal Year 2011 AIF Projects.....	22
Table II: Required Congressional Notifications and Reports for AIP and AIF .....	23

## FIGURES

Figure 1: Fiscal Year 2011 AIF Estimated Project Execution Schedules.....	5
Figure I: Fiscal Year 2011 AIF Project Nomination and Approval Process.....	21
Figure II: Timeline for Congressional Notification of the Fiscal Year 2012 AIF Project List .....	24

## ABBREVIATIONS AND ACRONYMS

AIF	Afghanistan Infrastructure Fund
AIP	Afghanistan Infrastructure Program
ADB	Asian Development Bank
CENTCOM	United States Central Command
CERP	Commander's Emergency Response Program
CBJ	Congressional Budget Justification
COIN	Counterinsurgency
DABS	Da Afghanistan Breshna Sherkat
DOD	Department of Defense
ESF	Economic Support Fund
EWG	Executive Working Group
GAO	Government Accountability Office
IWG	Infrastructure Working Group
JPC	Joint Program Committee
JPDT	Joint Project Delivery Teams
MATOC	Multiple Award Task Order Contract
MW	Megawatts
NEPS	Northeast Power System
OSD	Office of the Secretary of Defense
PJC	Provincial Justice Center
SECDEF	Secretary of Defense
SECSTATE	Secretary of State
SEPS	Southeast Power System
SIGAR	Special Inspector General for Afghanistan Reconstruction
State	Department of State
USFOR-A	United States Forces-Afghanistan
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development

## **Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans**

In the 10 years since the United States began committing resources to rebuild Afghanistan, Congress has appropriated more than \$89.4 billion for the reconstruction effort. At the end of 2003, the United States government shifted its resources from a focus on humanitarian relief to programs aimed at establishing the rule of law, improving governance, building infrastructure, and increasing access to health and education. Since then, the United States has spent billions of dollars to build or rehabilitate key physical infrastructure—a critical aspect of the U.S. transition strategy—in areas such as security, transportation, and energy. In fiscal year 2011, Congress appropriated \$400 million to the Department of Defense (DOD) to create the Afghanistan Infrastructure Fund (AIF) in support of the Afghanistan Infrastructure Program (AIP) and appropriated an additional \$400 million for the AIF in fiscal year 2012 to continue AIP support. A viable infrastructure is intended to help curb Afghan reliance on foreign logistics and capacity, provide economic alternatives to insurgency involvement, diminish the vulnerability of the Afghan people to violent extremists, and support the U.S. civil-military campaign and counterinsurgency strategy for Afghanistan.

Our previous audits of infrastructure projects implemented by the U.S. government—primarily the U.S. Army Corps of Engineers (USACE), the U.S. Agency for International Development (USAID), and the Air Force Center for Engineering and the Environment—identified problems with infrastructure programs resulting from insufficient planning and inadequate contract management and oversight, particularly in areas that are not secure.<sup>1</sup> Moreover, a congressional hearing on Afghanistan reconstruction contracts revealed concerns with the adequacy of AIF project sustainability assessments.<sup>2</sup>

In addition, for several years we and others have noted that DOD and the United States Forces-Afghanistan (USFOR-A) were not using Commander's Emergency Response Program (CERP)<sup>3</sup> funds as intended.<sup>4</sup> Although CERP was created to fund small-scale projects to offer commanders in the field immediate counterinsurgency (COIN) benefits,<sup>5</sup> it often funded large-scale, longer-term infrastructure projects. In the fiscal year 2011 National Defense Authorization Act<sup>6</sup> and subsequent appropriating legislation,<sup>7</sup> Congress reduced DOD's CERP appropriation by over \$400 million, placed a \$20 million cap on the dollar amount of individual CERP projects, and created the AIP to address large-scale infrastructure needs in support of the COIN strategy.

We conducted this audit early in the life of the program so that any problems or opportunities for improvement could be identified and addressed prior to the impending withdrawal of U.S. and coalition troops. This audit assessed the extent to which (1) AIF-funded projects were implemented on schedule

---

<sup>1</sup>*Recurring Problems in Afghan Construction*, SIGAR Testimony before the Commission on Wartime Contracting, January 24, 2011.

<sup>2</sup>Unofficial transcript of June 30, 2011, Hearing on Afghanistan Reconstruction Contracts by the Senate Homeland Security and Governmental Affairs, Subcommittee on Contracting Oversight.

<sup>3</sup>CERP is a DOD program managed by USFOR-A that enables commanders to fund humanitarian relief and reconstruction projects to immediately assist indigenous populations.

<sup>4</sup>IBID; *Commander's Emergency Response Program in Laghman Province Provided Some Benefits, but Oversight Weaknesses and Sustainment Concerns Led to Questionable Outcomes and Potential Waste*, SIGAR Audit 11-7, January 27, 2011; *U.S. Embassy Kabul and U.S. Forces-Afghanistan Consolidated Policy for Executing Afghanistan Infrastructure Fund Procedures*, February 18, 2010.

<sup>5</sup>Joint doctrine defines an *insurgency* as an organized movement aimed at the overthrow of a constituted government through the use of subversion and armed conflict. *Counterinsurgency* is military, paramilitary, political, economic, psychological, and civic actions taken by a government to defeat insurgency.

<sup>6</sup>P.L. 111-383 §1212, 1217, *Ike Skelton National Defense Authorization Act for Fiscal Year 2011*, January 7, 2011.

<sup>7</sup>P.L. 112-10, *Department of Defense and Full-Year Continuing Appropriations Act*, 2011.



and achieved planned COIN effects, (2) DOD, State, and USAID addressed project sustainment costs and other sustainment challenges, and (3) agencies coordinated and jointly managed the AIP.

To accomplish these objectives, we obtained and analyzed data and information from, and met with, officials from DOD, State, USAID, and the Asian Development Bank (ADB).<sup>8</sup> We limited the scope of the audit to the execution, administration, and oversight of the AIP and fiscal year 2011 AIF projects that were ongoing or planned for implementation as of January 1, 2012. We conducted work from November 2011 to June 2012 in Washington, D.C., and in Kabul and Kandahar, Afghanistan, in accordance with generally accepted government auditing standards. Appendix I provides a more detailed discussion of our scope and methodology.

## BACKGROUND

AIP was designed to be the vehicle that would allow DOD and State to combine resources to develop and carry out infrastructure projects in Afghanistan that are explicitly linked to the COIN effort. To support this objective, Congress created the AIF and appropriated \$400 million to DOD's fiscal year 2011 operations and maintenance budget for the program.<sup>9</sup> In a joint explanatory statement by the armed services committees, in addition to AIF, Congress noted that State planned to fund AIP projects by reprogramming existing foreign assistance resources to support large-scale infrastructure projects deemed critical to supporting the civil-military campaign in Afghanistan.<sup>10</sup>

According to the fiscal year 2011 National Defense Authorization Act,<sup>11</sup> infrastructure projects authorized under the AIP may include water, power, transportation, and other projects in support of the COIN strategy in Afghanistan.<sup>12</sup> According to joint guidance for implementing AIP issued by DOD and State,<sup>13</sup> power projects may include repairing, restoring, or improving electrical production, transmission, and distribution infrastructure and limited sustainment costs; transportation projects may include building or repairing transport networks such as roads, railways, canals, pipelines, nodes or terminals; and water projects may include funding watershed studies and building or repairing infrastructure such as major dams, irrigation, wells, sewage treatment, waste disposal, and water supply. Other AIP activities may include but are not limited to education, rule of law, governance, and economic development.

Authorizing legislation requires AIP projects to be jointly developed and approved by DOD and State, and implemented by State, in coordination with DOD (see appendix II for further detail on project and vetting approval for AIF-funded projects). However, State and DOD may jointly determine that DOD should implement a project. According to project evaluation criteria outlined by DOD, State, and USAID, fiscal year 2011 AIF projects were selected based on the following criteria:

- fulfillment of fiscal year 2010 commitments;
- the extent to which projects support Afghanistan's infrastructure priorities;

---

<sup>8</sup>ADB is the lead donor organization in Afghanistan's energy sector, and, in conjunction with the Afghan government, is developing the master plan for Afghanistan's energy sector.

<sup>9</sup>P.L. 112-74, 125 Stat. 786, 842 (Dec. 23, 2011), appropriated another \$400 million for AIF, bringing the current total AIF appropriation to \$800 million.

<sup>10</sup>*Joint Explanatory Statement of the Committees on Armed Services of the U.S. Senate and House of Representatives on H.R.6523, Ike Skelton National Defense Authorization Act for Fiscal Year 2011*, December 22, 2010.

<sup>11</sup>P.L. 111-383 §1217.

<sup>12</sup>*FM 3-24 MCWP 3-33.5 Counterinsurgency*, Headquarters Department of the Army, December 2006, outlines U.S. COIN doctrine and provides the principles and guidelines for COIN operations, including the U.S. strategy in Afghanistan. The U.S. COIN strategy in Afghanistan calls for a four-phase approach—assess, clear, hold, and build.

<sup>13</sup>*U.S. Embassy Kabul and U.S. Forces-Afghanistan Consolidated Policy for Executing Afghanistan Infrastructure Fund (AIF) Procedures*, February 18, 2010.



- inclusion of key terrain districts<sup>14</sup> and support from Regional Commands and Regional Platforms;
- the extent to which projects support the COIN strategy, complement the State and USAID development strategy, and make progress toward transition; and
- executability of the project and likelihood of completion by 2014.<sup>15</sup>

DOD and State initially determined the lead U.S. government agency responsible for implementing fiscal year 2011 AIF projects based on cost, schedule, performance, and foreign policy objectives. In some instances, however, DOD and State changed the original implementing agency to more closely align implementer capabilities with project requirements. USAID is the implementing agency for State, and USFOR-A is the implementing agency for DOD. Implementing agencies have programmatic and budgeting responsibility on behalf of DOD and State. USAID executes its own projects through contracts, while USFOR-A executes most projects through contracts managed by USACE. The executing agencies—either USACE or USAID—provide contract oversight, engineering, technical, and construction services to execute the projects.

For fiscal year 2011, DOD, State, and USAID identified 7 projects that would receive AIF funding—5 projects for improving the power sector, 1 road project, and 1 project to build or improve provincial justice centers. Table 1 lists the fiscal year 2011 AIF projects, including the implementing agency and estimated project cost.

---

<sup>14</sup>International Security Assistance Forces-Afghanistan and Afghan government planning teams identified key terrain districts. DOD defines key terrain districts as areas that afford a significant advantage to the party that controls them; they are districts where the bulk of the population is concentrated, and that contain centers of economic productivity, key infrastructure, and key commerce routes connecting such areas to each other and to the outside world. These districts roughly follow the line of the three major highways in Afghanistan through the most densely populated portions of the country.

<sup>15</sup>*Afghanistan Infrastructure Fund*, U.S. Embassy Kabul Joint Programs Committee, January 25, 2011.

**Table 1: Fiscal Year 2011 AIF Projects (dollars in millions)**

Project title	Location (region)	Description	Initial implementing Agency	Final implementing Agency	Original cost estimate	Revised cost estimate <sup>a</sup>
Kandahar Bridging Solution	South	Fuel, operations, and maintenance for all DOD and USAID procured generators in Kandahar	USFOR-A & Defense Logistics Agency (DLA)	USFOR-A & DLA	\$40	\$48.3
Southeast Power System (SEPS) <sup>b</sup>	South & Southwest	Phase 1: Kandahar to Durai Junction and Durai Junction to Lashkar Gah to Kajaki high voltage transmission network (2 x 110kV transmission lines and power substations)	USAID	USFOR-A	\$130	\$100
						\$30
Northeast Power System (NEPS)	East	Chimtala to Ghazni high voltage transmission network (2 x 220kV transmission lines and power substations) <sup>c</sup>	USFOR-A	USAID	\$101	\$101
NEPS	East	Chimtala to Gardez high voltage transmission network (110kV transmission lines to provincial centers: Chimtala to Gardez and power substations) <sup>c</sup>	USFOR-A	USFOR-A	\$86	\$86
Nawa to Lashkar Gah Road	Southwest	Pave road from Nawa district center to Helmand provincial capital of Lashkar Gah	USFOR-A	USFOR-A	\$23	\$17.6
Provincial Justice Centers (PJs)	Throughout Afghanistan	Infrastructure, equipment, furnishings, and one-year sustainment package for 5 PJs	USFOR-A & Rule of Law Field Force Afghanistan	USFOR-A & ROLFF-A	\$20	\$12.3
				<b>Total:</b>	<b>\$400</b>	<b>\$394.9</b>

Source: SIGAR analysis of DOD, State, and USAID data and information.

<sup>a</sup>Changes to project scope and final contract costs resulted in DOD and State revising some of the original project cost estimates contained in the fiscal year 2011 AIF congressional notification; revisions to cost estimates occurred at various times throughout our field work.

<sup>b</sup>Original project was split into two projects: Kandahar (\$30 million) and Helmand (\$100 million).

<sup>c</sup>Project scope was reduced to begin from Dast-i-Barchi instead of Chimtala after ADB agreed to complete the transmission line from Chimtala to Dast-i-Barchi.

## **MOST FISCAL YEAR 2011 AIF PROJECTS ARE 6-15 MONTHS BEHIND ORIGINAL SCHEDULE AND SOME PROJECTS MAY NOT ACHIEVE DESIRED COIN EFFECTS**

For fiscal year 2011, DOD and State requested \$357 million—89 percent of the \$400 million appropriated to the AIF—for projects to develop and support Afghanistan’s power sector. Timely completion of these projects is critical because many power sector projects are interdependent and directly affect sector-wide goals. Figure 1 shows project status, the extent to which projects are behind the June 2011 execution schedules, and obligations and disbursements for each of the seven fiscal year 2011 AIF projects as of January 10, 2012.

**Figure 1: Fiscal Year 2011 AIF Estimated Project Execution Schedules**

	Project Description	Executing Agency	Original Est. Cost (\$M)	Oblig. (\$M) <sup>c</sup>	Disb. (\$M) <sup>c</sup>	Status As Of	Estimated Project Execution Schedule																				Contract Award Status
							FY 2011				FY 2012				FY 2013				FY 2014				FY 2015				
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
AIF FY 11	SEPS: Kajaki Dam to Lashkar Gah TLs & SS	USACE	\$100	\$100.0	\$0.1	Jun 2011 Jan 2012																					Planned
	SEPS: Kandahar City to Durai Junction TL & SS	USACE	\$30	\$0.0	\$0.0	Jun 2011 Jan 2012																					Planned
	NEPS: Dast-i-Barchi to Gardez TL & SS	USACE	\$86	\$86.0	\$0.1	Jun 2011 Jan 2012																					Planned
	NEPS: Dast-i-Barchi to Maydan Shar to Ghazni TL & SS	USAID	\$101	\$0.0	\$0.0	Jun 2011 Jan 2012																					Planned
	Provincial Justice Centers <sup>a</sup>	ROLFF-A	\$20	\$0.2	\$0.0	Jun 2011 Jan 2012																					Planned
	Nawa to Lashkar Gah Road	USACE	\$23	\$19.8	\$0.7	Jun 2011 Jan 2012																					Awarded
	Kandahar Bridging Solution - Fuel / O&M <sup>b</sup>	DLA & USACE	\$40	\$21.0	\$12.0	Jun 2011 Jan 2012																					Awarded

Source: SIGAR analysis of DOD, State, and USAID data and information.

Notes: Numbers affected by rounding. Obligation and Disbursement data as of January 10, 2012. FY = fiscal year. TL = transmission lines. SS = substations. ROLFF-A = [USFOR-A] Rule of Law Field Force – Afghanistan.

<sup>a</sup>The PJC project execution schedule includes a variety of projects with different estimated periods of performance.

<sup>b</sup>Obligation and disbursement totals are low because DLA posted fuel charges to the wrong DOD Activity Address Code. USFOR-A is in the process of correcting these errors and posting the charges to the correct DOD Activity Address Code.

<sup>c</sup>Obligations in Figure 1 represent the amount of funds delivered from implementing agencies to executing agencies for the project. Disbursements in Figure 1 represent the amount of funds spent by executing agencies for the project and may represent funds used by the executing agency for the development of a request for proposal or project execution under an awarded contract.

### Five of Seven Fiscal Year 2011 AIF Projects Were 6-15 Months behind Schedule

Acquisition and funding delays postponed the project execution schedules of most fiscal year 2011 AIF projects from 6 to 15 months, including all power sector projects except the Kandahar Bridging Solution. For example, USACE's initial acquisition strategy for its SEPS and NEPS projects was unsuccessful, resulting in delayed project execution. USACE chose to solicit contractors from two of its Multiple Award Task Order Contracts (MATOC) to construct its SEPS and NEPS transmission lines and substations projects. USACE believed that awarding its SEPS and NEPS projects through the MATOCs would be the fastest procurement option and ensure that contracts were awarded before the end of fiscal year 2011.<sup>16</sup> However, USACE was unable to award a contract because bids received for its SEPS and NEPS projects were more than double estimated costs, due largely to security concerns resulting from the risks associated with implementing firm-fixed-price contracts in a kinetic environment, poor cost estimates, and unrealistic periods of performance. USACE is re-procuring both projects and plans to award contracts in June or July 2012, which will delay SEPS and NEPS project execution schedules from 6 to 15 months.

Ongoing delays in transferring fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—also contributed to delays in project execution. USAID is the implementing agency for the \$101 million NEPS project to construct transmission lines and substations from Dast-i-Barchi to Ghazni.<sup>17</sup> This line is a key part of a planned NEPS to SEPS connection to transport power to Kandahar to replace the expensive diesel-fueled power plants in the Kandahar Bridging Solution. When DOD, State, and USAID completed the fiscal year 2011 AIF joint project plan in late June 2011, USAID expected to award a contract during the fourth quarter of fiscal year 2011. As of February 15, 2012, USAID had not received AIF funds to implement its NEPS project because the memorandum of agreement to transfer AIF funds from DOD to State was still in development. According to USAID, it

<sup>16</sup>Prior to the passage of the fiscal year 2011 appropriations bill in April 2011, USFOR-A and USACE planned AIF projects with the assumption that AIF funds, like CERP funds, would remain available for 1 year.

<sup>17</sup>Project scope was reduced to begin from Dast-i-Barchi instead of Chimtala after ADB agreed to complete the transmission line from Chimtala to Dast-i-Barchi.

received the funds in June 2012 and expects that the project will be under contract in early 2013. USAID originally planned to commission its NEPS project by July 2013; however, the revised completion date is in July 2014, and some estimates extend project completion until September 2015. Delays in implementation may pressure the U.S. government to continue to purchase diesel fuel well beyond 2013 to maintain power distributed to Kandahar City, thereby increasing the cost of that temporary solution.

The delayed completion of fiscal year 2011 AIF power projects—and other necessary power infrastructure projects—will require continuing a temporary and expensive solution to provide the current level of electric power for Kandahar City beyond 2013. The Kandahar Bridging Solution is expected to cost \$80 million in fiscal year 2012 and increase to \$100 million in fiscal year 2013. Until alternative power sources replace or increase the amount currently provided to Kandahar City, there is no indication that annual costs will decrease if the Bridging Solution extends beyond 2013.

Finally, as of February 15, 2012, no major contracts had been awarded for PJC projects funded with fiscal year 2011 AIF funds.<sup>18</sup> The projects have been delayed for a number of reasons, including the late arrival of fiscal year 2011 AIF funds, project team reorganization, personnel changes, programmatic changes to project execution, and difficulties of field personnel travelling to the proposed project sites to assess projects.

#### As of February 15, 2012, Only Two of Seven Fiscal Year 2011 AIF Projects Were under Contract

As of February 15, 2012, only two of the seven fiscal year 2011 AIF projects were under contract: the Nawa to Lashkar Gah road construction project and the Kandahar Bridging Solution. Both projects were initiated with CERP funds before the authorization for AIP and appropriation for AIF. For example, CERP funded the development of the request for proposal for the Nawa to Lashkar Gah road, and USACE also planned to use CERP to award a contract and begin construction; in total, CERP provided \$85,000 for initial design and planning work for the road. Based on our review of progress documents and satellite imagery, as well as conversations with USFOR-A and USACE officials, construction of the Nawa to Lashkar Gah road is currently on pace to meet USACE's targeted completion date of February 2013, although less than 10 percent of the road was complete when we conducted our field work in February 2012.

Similarly, the plan to create a power bridging solution for Kandahar City by constructing diesel-generated plants and providing the power plants with 3 years of fuel, operations, and maintenance was initially approved and planned to be a multi-year CERP-funded project. The power plants were built and commissioned using CERP funds in the third quarter of fiscal year 2011, and—to ensure that power was continuously provided to Kandahar City—USFOR-A used CERP funds to pay for fuel, operations, and maintenance until USFOR-A received AIF funds. When AIF funding became available, USFOR-A used \$8.8 million in AIF funds to reimburse CERP accounts for fuel purchased between April and July 2011.

#### **Most Fiscal Year 2011 AIF Projects Will Not Result in Identified COIN Benefits for Several Years and Some May Have Adverse Effects**

The scale of AIF projects means that the U.S. government will not achieve the planned contributions to the COIN strategy described in the fiscal year 2011 AIF congressional Notification for several years, and some projects risk adverse COIN effects (appendix III identifies the potential COIN benefits of each project, as identified by DOD, State, and USAID). AIF funds large-scale, complex, multi-year projects that may not directly involve either the Afghan government or local communities during on-the-ground project implementation, and the potential COIN effects identified by DOD, State, and USAID are based on completed projects that are years away from completion. In addition, some fiscal year 2011 AIF

---

<sup>18</sup>On November 18, 2011, USFOR-A disbursed \$8,653 for Shade Structures at Herat Juvenile Detention Center.

projects may not advance COIN objectives or may have an adverse COIN effect because projects may create an expectations gap among the affected population or lack citizen support.

#### Most Fiscal Year 2011 AIF Projects May Not Result in COIN Effects for Several Years

While DOD, State, and USAID made efforts to identify potential COIN benefits, due largely to project delays, most fiscal year 2011 AIF projects will not result in those benefits for several years.<sup>19</sup> COIN guidance<sup>20</sup> states that the speed with which COIN operations are executed may determine their success; this is especially true for operations that involve restoring essential services. As noted above, 5 of the 7 fiscal year 2011 AIF projects were 6 to 15 months behind schedule. During spring 2011, USFOR-A Regional Command South officials voiced concerns regarding the need to quickly implement SEPS if it is going to achieve positive COIN effects. When implemented, these projects would support COIN efforts by increasing basic services provided by the Afghan Government in Kandahar and Helmand. However, the contract for Kandahar-based SEPS projects is not expected to be awarded until summer 2012, and the project is not expected to be completed until the third quarter of fiscal year 2014. As a result, DOD, State, and USAID may not achieve positive COIN effects with some fiscal year 2011 AIF projects for several years.

#### Some Fiscal Year 2011 AIF Projects May Not Advance COIN Objectives or May Have Adverse COIN Effects

Some fiscal year 2011 AIF projects may not advance COIN objectives or may have adverse COIN effects because they create an expectations gap among the affected population, or because they lack citizen support. COIN is an extremely complex form of warfare, though, at its core, COIN is a struggle for the local population's support. COIN guidance states that the support of the populace for a given project may determine success. Although AIF policy requires a brief description of projects, including relevance to COIN strategy, it does not require documentation that the affected populations support the projects.<sup>21</sup>

At least two fiscal year 2011 AIF projects risk creating adverse COIN effects:

- While the Kandahar Bridging Solution may achieve some immediate COIN benefits because—as stated by USAID officials—“people like having their lights on,” the U.S. government may be building an expectations gap that cannot be met in a timely manner. Through the provision of diesel fuel for power generation in Kandahar City using AIF, the U.S. government increased power availability by up to 25-27 megawatts (MW)<sup>22</sup> and extended availability to two previously underserved areas of Kandahar City in the west and southeast. According to USAID data, since the beginning of the Kandahar Bridging Solution, electricity consumption in Kandahar City has increased by 61 percent. However, if the U.S. government stops providing diesel fuel for the generators before more sustainable sources are available, power availability will drop to approximately 12 MW.<sup>23</sup> Current estimates indicate

---

<sup>19</sup>Some degree of COIN benefits may occur if implementing agencies are able to ensure that contractors employ local laborers, but it remains unclear if contracts will contain such requirements.

<sup>20</sup>*FM 3-24 MCWP 3-33.5 Counterinsurgency*, Headquarters Department of the Army, December 2006.

<sup>21</sup>*U.S. Embassy Kabul and U.S. Forces-Afghanistan Consolidated Policy for Executing Afghanistan Infrastructure Fund Procedures*, February 18, 2010.

<sup>22</sup>The average output is closer to 16 MW because the plants generally operate at 60 percent, and fuel cost projections are based on the average operational tempo.

<sup>23</sup>Under normal circumstances, Kajaki Dam is the only power generation source for Kandahar City and generates approximately 12 MW of electricity for Kandahar City. Under optimal conditions, through Kajaki and DABS operated diesel generators, Kandahar City may receive up to 21 MW.

that more sustainable sources will not be available to replace the Kandahar Bridging Solution until well beyond 2014.<sup>24</sup>

- The Nawa to Lashkar Gah road is another fiscal year 2011 AIF project that may result in adverse COIN effects. Quality assurance and quality control narratives state that there were ongoing negotiations between the contractor and the local population regarding the demolition of houses and right of way issues following contract award. According to the contract, the Afghan government settled land ownership issues and secured the right of way prior to construction, and USACE instructed contractors not to include any related costs in their proposals. Nevertheless, USACE documents show that the local population expressed ongoing frustration with the project to the USACE contractor and quality assurance personnel and stated that they were not compensated by the government for the destruction of their property.

## **DOD, STATE, AND USAID DID NOT CALCULATE SUSTAINMENT COSTS OR OTHERWISE ENSURE SUSTAINABILITY**

Although implementing agencies produced sustainment plans—as required—for each fiscal year 2011 AIF project, these plans did not define project sustainment costs and agencies did not communicate any such costs to the Afghan government. To address growing concerns about sustainability—as reported by us, GAO, other Inspectors General, and the Commission on Wartime Contracting in Iraq and Afghanistan—AIF’s authorizing legislation<sup>25</sup> requires each project to have a sustainment plan, and the standards of foreign assistance stipulate what such a plan should entail. Under the Foreign Assistance Act of 1961, for example, agencies implementing foreign assistance greater than \$1 million are required to evaluate recipient nations’ capacity to “effectively maintain and utilize the project, taking into account among other things the maintenance and utilization of projects.”<sup>26</sup> DOD enacted similar guidance for projects funded through CERP—which generally funds projects significantly smaller than AIF—and requires sustainment plans to include an “agreement with either the host nation, a non-Department of Defense agency of the U.S. government, or a third party contributor to finance the sustainment of the activities and maintenance of any equipment or facilities to be provided through the proposed project.”<sup>27</sup> To meet these requirements, we believe that implementing agencies must accurately determine and clearly articulate sustainment costs to the entity ultimately responsible for the project.

While USFOR-A made some efforts to determine the sustainment costs for the Nawa to Lashkar Gah road and the SEPS Helmand and Kandahar transmission lines and substations, these estimates are simple percentage calculations based on total project cost and do not consider Afghanistan’s unique circumstances, including, for example, the effect of the insurgency and security requirements. Specifically, USFOR-A uses a baseline of 5 percent of the construction cost estimate to calculate projected sustainment costs for transportation projects like the Nawa to Lashkar Gah road. Using a similar calculation, projected sustainment cost estimates prepared by USACE indicate that the SEPS Helmand transmission lines and substation compounds will cost a total of \$4.2 million over 25 years to sustain. USFOR-A did not calculate sustainment cost estimates for other fiscal year 2011 AIF projects.

Determining sustainment costs is difficult, especially for projects in Afghanistan. Despite some efforts to determine sustainment costs for fiscal year 2011 AIF projects, these efforts have not produced accurate

<sup>24</sup>Sustainable sources include a three turbine strong Kajaki Dam, and another—unidentified—power source. Current estimates call for the completion of turbine #2 at Kajaki Dam in the second fiscal quarter of 2015. After the installation of turbine #2, turbines #1 and 3 will need total refurbishments; however, the period of performance and funding for that project remain unidentified, as does a second generation source required to fill the void left when the U.S. government no longer provides diesel fuel through the Kandahar Bridging Solution.

<sup>25</sup>P.L. 111-383 §1217 (g)(1).

<sup>26</sup>P.L. 87-195 §611(e), *Foreign Assistance Act of 1961*, September 4, 1961.

<sup>27</sup>P.L. 112-10 §9005.



estimates, nor were sustainment costs provided to or agreed to by the Afghan government. According to USFOR-A documents and officials, calculating accurate sustainment cost estimates requires considerable time and resources, and staff and capacity limitations prevented it from designing methodologies and collecting data to properly calculate realistic sustainment costs for fiscal year 2011 AIF projects.

## **Project Sustainment Relies on Afghan Government Entities with Questionable Capacity**

Fiscal year 2011 AIF project sustainment relies heavily on Afghan entities with questionable capacity. To help ensure that AIF projects will be properly maintained, DOD, State, and USAID require the Afghan government agency or official ultimately responsible for taking control of a project to sign a letter indicating willingness to fulfill project sustainment requirements. Afghan government entities are also obligated to demonstrate their capacity to sustain AIF projects prior to project approval. For example, implementing agencies expect the Kandahar Bridging Solution to provide the Afghan power utility, Da Afghanistan Breshna Sherkat (DABS), with a reliable revenue source sufficient to enable DABS to properly maintain existing equipment. Eventually, DOD, State, and USAID expect DABS to assume responsibility for all U.S. government-procured generators and for reducing the role of diesel power generation to the provision of backup power. Similarly, the sustainment plan for NEPS and SEPS requires DABS to assume responsibility for all infrastructure improvements and revenue collection upon project completion. Sustainment plans for the Nawa to Lashkar Gah road and PJC projects also rely on the Afghan government, calling for the Nawa District governor to take responsibility for the road's operations and maintenance, and the Afghan government to sustain each PJC, including the maintenance of facilities and provision of personnel.

Although the Afghan government endorsed fiscal year 2011 AIF projects in writing, these Afghan entities have questionable capacity and lack the resources—financial and otherwise—necessary to fulfill these commitments. We reported in January 2010<sup>28</sup> that the management and operational capacity of DABS was extremely weak. In 2011, Ernst and Young<sup>29</sup> expanded on our assessment of DABS and found weaknesses in many of DABS' core business systems.<sup>30</sup> While USAID continues its efforts to bolster DABS' capacity, and has made progress within DABS' Kabul office, DABS' office in Kandahar—which is responsible for the sustainment of SEPS and the ultimate operation of U.S. government procured generators in Kandahar—has not achieved similar gains. In Kandahar, DABS has limited capacity to bill customers, collect revenues, and maintain its infrastructure. According to USAID data and officials, DABS in Kandahar still only issues bills for two-thirds of its electricity output and only collects revenues from approximately 30 percent of its billed consumption in Kandahar City. Current estimates call for the U.S. government to spend nearly a quarter of a billion dollars in AIF monies to support the Kandahar Bridging Solution through calendar year 2013, when either DABS takes over fuel procurement or other power sources come online.<sup>31</sup> According to congressional estimates, for DABS to take over fuel procurement, it would have to commit approximately 60 percent of its current nationwide revenue or more than 400 percent of Kandahar DABS' current revenue. Moreover, despite the U.S. government's provision of a reliable revenue source at no cost to DABS through the Kandahar Bridging Solution, DABS remains unable to routinely fuel its generators at its Breshna Kot power station. DOD, State, and USAID officials all questioned DABS' capacity to sustain fiscal year 2011 AIF projects.

---

<sup>28</sup>SIGAR-10-4.

<sup>29</sup>Ernst & Young is a professional services firm. In 2011 Ernst & Young was hired by USAID to conduct a review and evaluation of DABS's financial management capacity and internal control systems using the criteria established by USAID, Afghanistan. Its review included interviews, observations and tests of compliance with the DABS's stated procedures.

<sup>30</sup>*Report on Pre Award Assessment of Da Afghanistan Breshna Sherkat (DABS)*, Ernst & Young, August 2011. Areas of weakness include the following: financial management, budgeting and accounting, procurement and purchasing, program management and monitoring, corporate governance structure, and personnel policies and procedures.

<sup>31</sup>Replacement power sources for this fuel will not be commissioned until well after 2013.



Additionally, the Afghan government does not have a sustainable road maintenance program and continues to rely on international assistance to maintain its current road network. Confusion remains regarding who will be responsible for sustaining the Nawa to Lashkar Gah road. Different documents identify either the Nawa District Governor or Helmand's Provincial Directorate of Public Works as accepting responsibility for the road. Furthermore, according to USFOR-A, the Deputy Minister of Public Works recommended that the U.S. government stop building roads because the Afghan government is unable to maintain the current road network.

The Afghan Ministry of Interior pledged to sustain each PJC, including maintaining the facilities and providing qualified personnel to staff the various functions. The complex makeup of PJCs indicates that multiple Afghan government entities would be involved in staffing and sustaining the centers. However, it remains unclear which specific entities are expected to be involved in sustaining PJCs, and sustainment and staffing requirements for a functional PJC remain undefined. Moreover, although some staffing requirements have been identified, the Afghan government has had difficulty filling those positions.

Afghan government entities responsible for sustainment lack proven capacity and budgets to sustain projects. As we have previously reported, this limitation is, in part, because the government collects and allocates funds centrally, resulting in very small budgets for directorates outside of Kabul, which they only use for basic operational costs.<sup>32</sup> For example, according to USAID and USACE officials, DABS in Kandahar uses nearly all of its funding for basic operating costs and salaries and does not have enough funds to routinely fuel its generators in the south.

### **Project Sustainment Relies on Unidentified and Unfunded Projects or Projects with Completion Dates beyond 2014**

The sustainment and viability of some fiscal year 2011 AIF projects relies on unidentified or unfunded projects with completion dates beyond 2014. According to DOD, State, and USAID, AIF projects should be completed by the end of calendar year 2014, and sustainment plans should not be overly ambitious. Nevertheless, replacing the energy produced by the Kandahar Bridging Solution, for example, will require (1) a three-turbine-strong Kajaki Dam, and (2) a yet-to-be determined second power source.

- A three-turbine-strong Kajaki Dam requires the installation of turbine 2—an ongoing effort by USAID since 2005—and the refurbishment of turbines 1 & 3. The refurbishment of turbines 1 & 3 will not begin until after turbine 2 is installed and commissioned, which some USAID officials stated would not realistically happen until the end of 2015, or the first quarter of 2016. Moreover, there is still no clear plan or funding source for the refurbishment of turbines 1 & 3.
- Although original AIF sustainment plans identified the ESF-funded NEPS to SEPS connection to be the second sustainable power source to replace the Bridging Solution, a final feasibility assessment for the connection is not complete and USAID, USACE, and ADB officials were unsure if USAID would fund or complete the connection.<sup>33</sup> Even if USAID proceeds with the connection, providing power to Kandahar via the NEPS to SEPS connection will not occur by the end of 2014. Further, USAID had not obligated funds for the connection, defined periods of performance, or issued a request for proposal. In May 2012, USAID officials told us that they could not proceed with the \$294 million ESF-funded portion of the connection until DOD transfers \$101 million in fiscal year 2011 AIF funding

---

<sup>32</sup>*Weaknesses in Reporting and Coordination of Development Assistance and Lack of Provincial Capacity Pose Risks to U.S. Strategy in Nangarhar Province*, SIGAR-11-1, October 26, 2010.

<sup>33</sup>Although final results of this assessment are pending, USAID has met with stakeholders to discuss and confirm technical constraints and priorities in implementing system expansion. Based on preliminary indications, USAID is now confident that the NEPS/SEPS connection is viable.

for the initial segment from Dast-i-Barchi to Ghazni; USAID ultimately received the AIF finds in late June 2012.

Current project plans for fiscal year 2013 AIF include \$250 million for a Kandahar Supplemental Power Solution to fund the development of the second sustainable power source. Options under consideration for this power source include using AIF to fund the NEPS to SEPS connection or constructing a 360 acre photovoltaic field. Both solutions are projected for completion beyond the fourth quarter of fiscal year 2015 in the AIF estimated project execution schedule. To bridge the gap in sustainable power, USFOR-A and USACE anticipate there may be a need to provide diesel fuel for the generators in Kandahar City beyond 2013.

## **CONGRESSIONAL OVERSIGHT AND INTERAGENCY COORDINATION ARE LIMITED BY LACK OF SHARED INFORMATION AND MASTER PLAN FOR ENERGY SECTOR**

DOD and State have defined AIP differently and do not provide comprehensive AIP information to Congress, thus inhibiting congressional oversight of the program. The legislation authorizing AIP requires the Secretary of Defense, in coordination with the Secretary of State, to submit to Congress a report regarding implementation of AIP during each fiscal year. The legislation indicates that the AIP is to be comprised of projects jointly developed by DOD and State. Furthermore, a joint explanatory statement of the congressional armed services committees stated that AIP is “intended to be a whole-of-government approach in support of the counterinsurgency plan, with both the Department of Defense and the Department of State bringing resources to the effort.”<sup>34</sup> The joint statement indicated that DOD would use AIF funds to support the AIP, and State would reprogram existing foreign assistance resources. In their fiscal year 2012 Congressional Budget Justification, State and USAID requested ESF funding specifically for AIP and stated that they would use these funds in conjunction with AIF funds to support AIP and achieve shared objectives.<sup>35</sup> In its comments on our draft report, the Office of the Secretary of Defense (OSD) stated that in congressional briefings regarding the fiscal year 2011 program, “DOD, State, and USAID identified all AIP projects—funded by either ESF or AIF—and their relationship to each another.” However, in its report to Congress on the implementation of AIP for fiscal year 2011, DOD, in coordination with State, only reported on projects funded through AIF,<sup>36</sup> thereby limiting comprehensive congressional oversight of key infrastructure projects in Afghanistan. In commenting on our draft report, OSD estimated that fiscal year 2011 AIP projects funded through ESF totaled over \$1 billion.

In addition, although the USFOR-A Commander and the Ambassador to Afghanistan endorsed the fiscal year 2012 AIF project list for congressional notification in July 2011, DOD did not provide relevant congressional committees with the fiscal year 2012 AIF notification until late February 2012 due to unclear agency reporting guidance. The reporting and notification approval processes involve multiple stakeholders throughout DOD—both functionally and geographically. Fiscal year 2011 was the first year for AIF processes and procedures, and DOD did not clearly articulate the requirements for notifications and reports to field program managers. According to officials from OSD and U.S. Central Command (CENTCOM), initial reports and notification documents provided by AIF program managers in the field did not contain required data or information. For example, they stated that, although the initial fiscal year 2012 AIF project list endorsed by the Commander of USFOR-A and the U.S. Ambassador to Afghanistan—and sent to CENTCOM and OSD for approval—contained minimal, basic information

<sup>34</sup> *Joint Explanatory Statement of the Committees on Armed Services of the U.S. Senate and House of Representatives on H.R.6523, Ike Skelton National Defense Authorization Act for Fiscal Year 2011*, December 22, 2010.

<sup>35</sup> *Congressional Budget Justification, Volume 2, Foreign Operations*, Department of State, Fiscal Year 2012.

<sup>36</sup> *Department of Defense Implementation of the Afghanistan Infrastructure Program and Fund, Report to Congress in Accordance with Section 1217 of the National Defense Authorization Act for Fiscal Year 2011*; submitted April 18, 2012.

such as project titles and dollar amounts, final reports required more detailed information, including sustainment plans.<sup>37</sup> However, USFOR-A officials stated that CENTCOM and OSD did not provide guidance on the format or requirements. Thus, USFOR-A could not track the status of reports because CENTCOM and OSD did not clearly articulate the vetting and approval processes. Appendix IV provides more information on required reports and the fiscal year 2012 project notification timeline.

## **DOD, State, and USAID Are Developing Approaches for Overall Joint Project Management, but Guidance Lacks Specific Responsibilities for Joint Implementation**

AIF guidance<sup>38</sup> states that once DOD, State, and USAID identify project components and assign a lead implementing agency, the lead agency should form a Joint Project and Delivery Team (JPDT) to ensure joint project management, create transparency and accountability, and enable joint decision making in support of the *United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan*.<sup>39</sup> Each JPDT is intended to include members of the Afghan government, USAID, USFOR-A, and the appropriate Regional Command and Regional Platform. In practice, these teams do not jointly implement all AIF projects. DOD, State, and USAID use JPDTs for the large-scale, complex energy sector infrastructure projects funded by AIF, such as the NEPS and SEPS power projects, but they have not established these teams for fiscal year 2011 AIF road and PJC projects. Teams hold a bi-weekly teleconference for stakeholders in Afghanistan's energy sector, led by USFOR-A's Joint Program Integration Office and USAID's Office of Infrastructure, Energy, and Engineering in Kabul. However, while AIF guidance<sup>40</sup> requires JPDTs to meet, provide overall project management for AIF projects, and include relevant stakeholders, it does not define specific responsibilities for project implementation or oversight for lead and secondary agencies to ensure joint management. Agencies responsible for AIF project execution—primarily USACE or USAID—retain all project implementation and oversight responsibilities.

DOD and USAID officials noted a planned effort to jointly manage project delivery related to the AIF-funded SEPS project in Helmand. During our fieldwork, USFOR-A, USACE, and USAID officials were in the process of establishing a Project Integration Office at the Kajaki Dam in Helmand province to support the implementation of several planned infrastructure projects in the vicinity of the dam over the next 3 years, including projects implemented using AIF, ESF, and CERP funds.<sup>41</sup> The Project Integration Office at Kajaki Dam, as planned, will be similar to a JPDT. For example, although individual project implementation will be executed through separate USAID or USACE contracts, the Project Integration Office will leverage the personnel and physical resources of a common field office for quality assurance and contractor oversight. According to both DOD and USAID, the Project Integration Office is unique to projects in the vicinity of the Kajaki Dam, and other AIF projects do not have similar arrangements.

DOD, State, and USAID also face challenges in monitoring and coordinating the execution of AIF projects due to the lack of a shared database. As GAO reported in 2011, maintaining an accessible data system that promotes interagency information sharing is particularly important in an environment such as

---

<sup>37</sup>Coordination with State and USAID is ongoing throughout the process, but final approval from State does not occur until after reports/notifications are vetted through DOD.

<sup>38</sup>*The Joint Plan for Implementation & Management of the Afghanistan Infrastructure Fund, In Support of the United States Department of State, Department of Defense, and the Government of the Islamic Republic of Afghanistan*, USFOR-A Joint Program Integration Office and USAID's Office of Infrastructure, Energy, and Engineering, June 16, 2011.

<sup>39</sup>August 2009.

<sup>40</sup>USFOR-A Joint Program Integration Office and USAID's Office of Infrastructure, Energy, and Engineering, June 16, 2011.

<sup>41</sup> The Joint Project Integration Office at Kajaki will serve as the hub of on-site management for U.S. government projects in the area, including some AIF funded SEPS projects in Helmand, ESF funded installation of turbine 2, and CERP funded repair of the Kajaki Dam intake tower.

Afghanistan, where several agencies are involved in similar development efforts that are dispersed throughout the country.<sup>42</sup> Nevertheless, USFOR-A established the “AIF Checkbook”<sup>43</sup>—an internal system that can only be accessed by USFOR-A and Army Central Command—to track commitments, obligations, disbursements, and key project funding data associated with AIF, and USAID plans to use its internal “Phoenix” system to track commitments, obligations, and disbursements from AIF.<sup>44</sup> Whereas CERP guidance requires data for all construction projects to be reported for inclusion in a USAID database, no similar legislative or policy requirement exists for AIF projects. Without insight into the implementation of interdependent projects, DOD, State, and USAID officials may not have adequate information to make effective project management decisions.

### **Some Fiscal Year 2011 AIF Projects Affect Afghanistan Energy Sector Goals but Are Not Based on a Master Plan**

DOD, State, and USAID continue to build large-scale energy infrastructure projects that affect the plans of other donors and sector-wide goals without the benefit of a master plan for Afghanistan’s energy sector. Our previous report,<sup>45</sup> as well as a report by ADB,<sup>46</sup> found that a master plan for Afghanistan’s energy sector would provide a strategic approach to project implementation and bring standardization to the generation and distribution system. In response to our report, USAID stated that it would work with ADB and the Afghan government to finalize the master plan for Afghanistan’s energy sector by June 2011. However, USAID and ADB did not achieve that goal, primarily because ADB had ongoing difficulty securing a consulting firm to conduct necessary fact finding in Afghanistan; the master plan is more than a year behind schedule and is not scheduled for completion until December 2012.

Without a master plan, donors—including DOD, State, and USAID—are implementing projects without a clear roadmap of priorities or specific projects to finance and execute. As a result, officials from DOD, State, and USAID may not have adequate information to make effective project management decisions, and AIF funds may be at risk for waste due to a lack of awareness of existing or planned projects or duplication of effort by different donors.

For example, DOD plans to use \$86 million of fiscal year 2011 AIF funds to implement a project that already had funding available from another donor. In July 2011, the ADB told stakeholders from the Afghan government, DOD, State, USAID, and the World Bank that one fiscal year 2011 AIF project worth \$86 million conflicted with a project that the Bank had approved in early 2010 and that was already under design and preparation. Specifically, the Bank had funding for, and planned to execute, the NEPS 220kV transmission line from Dast-i-Barchi to Gardez. Following the July 2011 meeting—1 month before DOD and State notified Congress of the fiscal year 2011 AIF project list—the Bank agreed to allow USFOR-A to implement the project using fiscal year 2011 AIF funds. However, as a result of

---

<sup>42</sup>The Afghan government developed a Donor Assistance Database, which includes donor reported foreign assistance to Afghanistan from other countries. However, in 2011, GAO found that the database was incomplete. See *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, March 2011.

<sup>43</sup>USFOR-A J8 inputs commitments and obligations into DOD’s Resource Management Tool. The Operational Data Store functions as a repository system for information already processed through Defense Finance and Accounting Services Standard Finance System. AIF Checkbook contains information available in these systems, but filtered specifically for AIF projects.

<sup>44</sup>As of February 15, 2012, USAID had not used Phoenix to track AIF funds because a memorandum of agreement for the transfer of funds between USFOR-A and USAID was not finalized and USAID had not received any AIF funds.

<sup>45</sup>*Afghanistan Energy Supply has Increased but an Updated Master Plan is Needed and Delays and Sustainability Concerns Remain*, SIGAR-10-4, January 15, 2010.

<sup>46</sup>*Islamic Republic of Afghanistan: Power Sector Master Plan (Financed by the Japan Fund for Poverty Reduction)*, Project Number: 43497 Policy and Advisory Technical Assistance, ADB Technical Assistance Report, November 2010.

USACE's ongoing delays in executing the project, ADB officials stated in February 2012 that they were keeping funds available for the project.

In commenting on our draft report, USFOR-A disagreed with our recommendation to reassess the feasibility of allowing ADB to complete the NEPS project, thus allowing USFOR-A to put the \$86 million in AIF funds to better use. USFOR-A stated that the project design was completed and the project was advertised in May 2012. USFOR-A further noted that the ADB had not planned to construct the project for 2 or 3 years after the estimated completion date of the AIF-funded project. As a result, we have deleted that recommendation. However, we note that USFOR-A missed an opportunity to allow another donor to continue financing the project, particularly after it had completed the design and preparation phase. Given AIF project delays, it is uncertain whether the ADB project would have been completed 2 or 3 years later. In deciding to fund this project, the U.S. government missed an opportunity to put those funds to better use.

## CONCLUSIONS

More than 10 years after international intervention in Afghanistan—and nearly 9 years since the U.S. government began focusing efforts to build Afghanistan's infrastructure—the U.S. government, the international community, and the Afghan government continue to face challenges in implementing programs to build basic infrastructure, particularly those efforts aimed at providing power to the largest cities and most critical areas in Afghanistan.

Effective COIN strategy requires the U.S. government to work closely with the host nation to establish achievable goals. If goals are set and not achieved, both the U.S. and the Afghan governments can lose the populace's support. Fiscal year 2011 AIF projects may result in adverse COIN effects because DOD, State, and USAID did not ensure the availability of energy sources to replace AIF-procured diesel-generated power in Kandahar City or ensure the buy-in or compensation of local populations affected by AIF projects. Additionally, implementing projects that the Afghan government is unable to sustain may be counterproductive to the COIN strategy. Projects that are too complex may prevent genuine cooperation or take too long to complete to provide immediate COIN benefits given the impending withdrawal of U.S. and coalition troops. They might not advance, and may even undercut, U.S. government and COIN objectives. Our reports have found that the U.S. government's efforts to execute large-scale energy sector projects in Afghanistan have frequently resulted in cost and schedule over-runs, contractor default, questionable or undefined sustainment methods, and wasted U.S. dollars.

The success and viability of many AIF projects hinge, in part, on unidentified, unfunded infrastructure projects and the successful, timely completion of other projects that the U.S. government has been unable to complete for more than 7 years. If the U.S. government considers the execution of large-scale infrastructure projects—particularly in the energy sector—a priority for U.S. investment in Afghanistan, more effort must be made toward joint implementation by U.S. government agencies; coordination with the Afghan government and international community; and development of realistic, achievable, and clearly defined sustainment plans.

Because implementing agencies did not develop adequate sustainment plans, and project sustainment relies on Afghan entities with questionable capacity and on unidentified and unfunded projects or projects with completion dates beyond 2014, Congress and the U.S. taxpayers do not have reasonable assurance that projects implemented using fiscal year 2011 AIF funds will be viable or sustained by the Afghan government after completion.

## RECOMMENDATIONS

To improve Congress's capacity for effective oversight and enhance joint decision making for large-scale, interdependent infrastructure projects that effect sector-wide goals, SIGAR recommends that the U.S.



Ambassador to Afghanistan and the USAID Mission Director, in coordination with the Commander USFOR-A:

- 1. Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.**

To enhance coordination and oversight between DOD (USFOR-A and USACE), State, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

- 2. Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects, and**
- 3. Develop a shared or web-based database, or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress. (Similar consideration should be given to all development/infrastructure projects, as recommended previously by SIGAR and GAO.)**

To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director—in close coordination with key stakeholders including the Afghan government and ADB:

- 4. Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the “critical path” to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by ADB.**

To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, and to ensure that \$101 million of fiscal year 2011 AIF funds do not expire, SIGAR recommends that the Secretary of Defense and the Secretary of State:

- 5. Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the NEPS project from Dast-i-Barchi to Ghazni.**

To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

- 6. Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in congressional notifications required by AIP authorizing legislation.**
- 7. Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.**

To help ensure AIP projects are sustained and viable upon completion, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

- 8. Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required congressional notifications.**

To help ensure the timely completion of congressional notifications and reports for AIP projects, as well as the timely receipt of appropriated funds, SIGAR recommends that the Secretary of Defense and the Secretary of State:

- 9. Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress.**

## **AGENCY COMMENTS**

State, the U.S. Embassy Kabul, USAID, USFOR-A, and OSD provided written comments on a draft of this report. These comments are reproduced in appendices V, VI, VII, VIII, and IX, respectively. The Embassy, CENTCOM, USACE, and OSD also provided technical comments, which we incorporated into our final report, as appropriate.

### **State**

In addition to general comments about AIP, State responded specifically to recommendation 9 regarding late notification and reporting to Congress of AIP projects. State acknowledged that implementation challenges were encountered in 2011 as a result of the unique and new structure of the AIF. State noted that a refined process, developed last year and now in place, “will effectively manage the notification and other administrative requirements under the law.” However, as noted in the report, we found that notification and reporting challenges continued through the end of fiscal year 2011 and into fiscal year 2012. We therefore remain concerned that the process for AIP notifications and reporting still needs to be improved.

### **U.S. Embassy Kabul**

In addition to general comments on the draft report, U.S. Embassy Kabul responded to all recommendations. The Embassy concurred with recommendations 1, 2, 4, 5, 6, 7, and 9. The Embassy partially concurred with recommendations 3 and 8. Regarding recommendation 5, the Embassy stated that the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to USAID would be accomplished by the end of June 2012, and OSD confirmed in its response to the draft report that the transfer had taken place. The Embassy did not clearly outline the steps it would take, and the associated timeframes, to implement the other eight recommendations.

With regard to recommendation 3—to develop or include AIP projects in a shared or web-based database—the Embassy stated that USFOR-A and USAID had ample means to track AIF and ESF projects and that it was uncertain that a separate database would add value to already established practices. However, requiring the inclusion of AIP project information in an existing or developing database would meet the intent of our recommendation and should minimize agency burden or costs. With regard to recommendation 8—that agencies develop a comprehensive sustainment plan for each AIP project that contains specific information that should be included in required congressional notifications—the Embassy stated that the recommendation was warranted but that the sequence of AIP project identification, approval, notification, design, and acquisition might not support inclusion of a detailed joint assessment in the congressional notification. However, given that the AIP project identification, approval, and notification are already joint processes, the conduct and inclusion of a joint assessment of the capacity of the Afghan government entity responsible for sustainment should be a manageable requirement, in addition to the other requirements for a comprehensive sustainment plan outlined in the recommendation.



## **USAID**

USAID generally concurred with the first eight recommendations but did not clearly outline the timeframes and steps it would take to implement them. USAID did not respond to recommendation 9.

## **USFOR-A**

In addition to general comments, USFOR-A responded to eight recommendations in our draft report. USFOR-A concurred with recommendations 1 and 4, and partially concurred with recommendations 2, 3, 6, 7, and 8, but did not clearly outline the timeframes and steps it would take to implement them. USFOR-A did not concur with a recommendation in our draft report to reassess the feasibility of allowing ADB to complete the \$86 million NEPS project. According to USAFOR-A, the project design was complete and the project was advertised in May 2012. As a result, we have deleted the recommendation, but we note that the U.S. government has missed an opportunity to put the \$86 million to better use by allowing another donor to continue funding the project. USFOR-A indicated that OSD would respond to recommendations 5 and 9. See appendix VIII for USFOR-A's full comments and our responses.

## **OSD**

In commenting on our draft report, OSD strongly disagreed with many of our findings and conclusions and stated that the audit report is premature and reflects a lack of understanding of COIN doctrine. We reject these positions. We conducted the audit early in the program's implementation so that opportunities for improvement could be identified and addressed prior to the withdrawal of U.S. and coalition troops. We conducted our work in accordance with generally accepted government auditing standards, which require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We focused our assessment on what DOD and State reported as the COIN benefits that would be achieved by these projects. We did not try to interpret COIN doctrine; but rather assessed whether the COIN benefits identified were being achieved or would be achieved given project delays and the length of time needed to complete projects.

In addition to general comments on our draft report, OSD responded to eight recommendations. OSD concurred with recommendation 5, partially concurred with recommendations 2, 3, 8, and 9, and did not concur with recommendations 1, 6, and 7. Despite its concerns, OSD indicated that it saw merit in many of our recommendations.

OSD did not concur with recommendation 1 to define and identify all infrastructure projects that compose AIP. OSD stated that it did not concur with this recommendation because, "Additional detailed reporting as part of AIP would be duplicative and administratively burdensome. Congress did not intend for creation of the AIP to impose such burdens on the ESF program." However, as noted in our report, the legislation authorizing AIP requires the Secretary of Defense, in coordination with the Secretary of State, to submit to Congress a report regarding implementation of AIP during each fiscal year. The legislation indicates that the AIP is to be comprised of projects jointly developed by DOD and State. In addition, State's primary implementing agency for ESF in Afghanistan is USAID, and USAID concurred with the recommendation, thus indicating that including the ESF-funded projects that constitute AIP would not be overly burdensome. Moreover, elsewhere in its comments on our draft report, OSD stated that, "In congressional briefings supporting the FY11 notification process, DoD, DOS, and USAID identified all AIP projects-funded by either ESF or AIF-and their relationship to each other." Given OSD's statement, implementing our recommendation should not be overly burdensome. We note that U.S. Embassy Kabul and USFOR-A also concurred with this recommendation.

OSD did not concur with recommendation 6 to clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in congressional notifications required by AIP authorizing legislation. OSD stated that it did not concur with this recommendation because it “does not recognize that COIN benefits can begin at project inception and increase through project completion.” However, nearly all of the COIN benefits identified by OSD in the fiscal year 2011 congressional notification are based on completed projects that are years away from completion. Our report notes that COIN benefits may accrue prior to project completion. If DOD were to implement this recommendation, it would identify those benefits to decision makers. We note that U.S. Embassy Kabul, USAID, and USFOR-A concurred with this recommendation.

OSD did not concur with recommendation 7 to revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population. OSD stated that it did not concur with this recommendation because “Current initial guidance already includes the local population and government in project identification and planning for sustainment. The project approval process includes consultations with local, provincial, and national Afghanistan government officials who represent the Afghan population.” Given OSD’s statement, it is unclear why it did not concur with the recommendation to formalize this requirement.

OSD’s comments, and our responses, are included in appendix IX.

## APPENDIX I: SCOPE AND METHODOLOGY

---

This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's review of the Afghanistan Infrastructure Program (AIP) and the Afghanistan Infrastructure Fund (AIF). This report assessed the extent to which (1) AIF-funded projects were implemented on schedule and achieved planned counterinsurgency effects; (2) the Department of Defense (DOD), the Department of State (State), and the U.S. Agency for International Development (USAID) addressed project sustainment costs and other sustainment challenges; and (3) agencies coordinated and jointly managed the AIP. Although the Commander of the U.S. Forces-Afghanistan (USFOR-A) and the U.S. Ambassador to Afghanistan endorsed the fiscal year 2012 AIF project package on July 16, 2012, as of February 15, 2012, the project package had not been signed by the Secretary of Defense and the Secretary of State or notified to Congress. As a result, we limited the scope of the audit to review the execution, administration, and oversight of the AIP and fiscal year 2011 AIF projects implemented, being implemented, or planned for implementation as of January 1, 2012. The period of our review included documents dated between February 2010 and March 2012.

To calculate the amount and purpose of all funds obligated and disbursed, as well as the extent to which projects are implemented on schedule, we reviewed funding documents and databases, base contracts and contract modifications, independent government cost estimates, contractor bids, and funds increase memoranda. To assess the reliability of computer-processed data, we verified that committed, obligated, and disbursed amounts in project files matched the cost data available in financial databases, and reviewed fund increase memoranda and other available evidence to identify reasons for cost increases, and found data to be sufficiently reliable for the purposes of the audit. As part of this effort we interviewed project managers, purchasing officers, and financial managers to clarify information in project files, and reviewed all project schedule documents, schedule estimates, and notices to proceed. To evaluate the extent to which fiscal year 2011 AIF projects contribute to the Afghanistan COIN strategy and achieve COIN effects, we obtained, analyzed, and compared COIN strategy, the *United States Government Integrated Civilian-Military Campaign Plan for Support to Afghanistan*, Afghanistan's National Development Strategy, and regional and sector based reports outlining priority issues to project selection criteria, planned COIN contributions stated in the fiscal year 2011 AIF congressional notification, and AIF project files, progress reports, and status briefings to ensure selected projects are clearly linked to national strategic objectives and demonstrate COIN support in accordance with established COIN guidance. We also met with DOD, State, and USAID officials throughout Afghanistan to obtain their on-the-ground assessment of how AIF projects positively or negatively affect COIN in their respective localities.

To assess the extent to which DOD, State, and USAID addressed project sustainment costs and other sustainment challenges, we reviewed project files to evaluate project sustainment plans, coordination with Afghan representatives, and efforts to calculate sustainment costs and communicate these costs to Afghan government entities. In addition, we held meetings with DOD, State, and USAID officials and reviewed project files to evaluate project sustainment plans, coordination with Afghan representatives, and efforts to calculate sustainment costs and communicate these costs to Afghan government entities.

To assess the extent to which DOD and State coordinated and managed project execution, we obtained and analyzed relevant legislation and congressional reports, U.S. government reports, as well as DOD, State, and USAID policies and procedures, briefings, working group minutes and notes, e-mail exchanges, including documentation indicating AIP proposal and approval processes and selection criteria. In addition, we interviewed DOD, State, USAID, and the Asian Development Bank (ADB) officials to gain practical understanding of how AIP projects are initially proposed, selected, and coordinated. To determine the extent to which DOD and State fulfilled legislative requirements related to congressional reporting requirements for the AIP, we obtained and analyzed relevant legislation to identify the legislative requirements for AIP implementation. We held meetings with DOD, State, and USAID officials, as well as congressional staff, to discuss the status of legislative requirements. To determine the timeliness of and challenges associated with the development and submission of

legislatively mandated reports and notifications to inform appropriate congressional committees of a forthcoming obligation, disbursement, or transfer of funds for AIP projects, we reviewed and analyzed reports, memoranda, presentations, e-mails and other correspondence used by DOD, State, and USAID during the planning and development of these reports or notifications to inform appropriate congressional committees of a forthcoming obligation, disbursement, or transfer of funds for AIP projects.

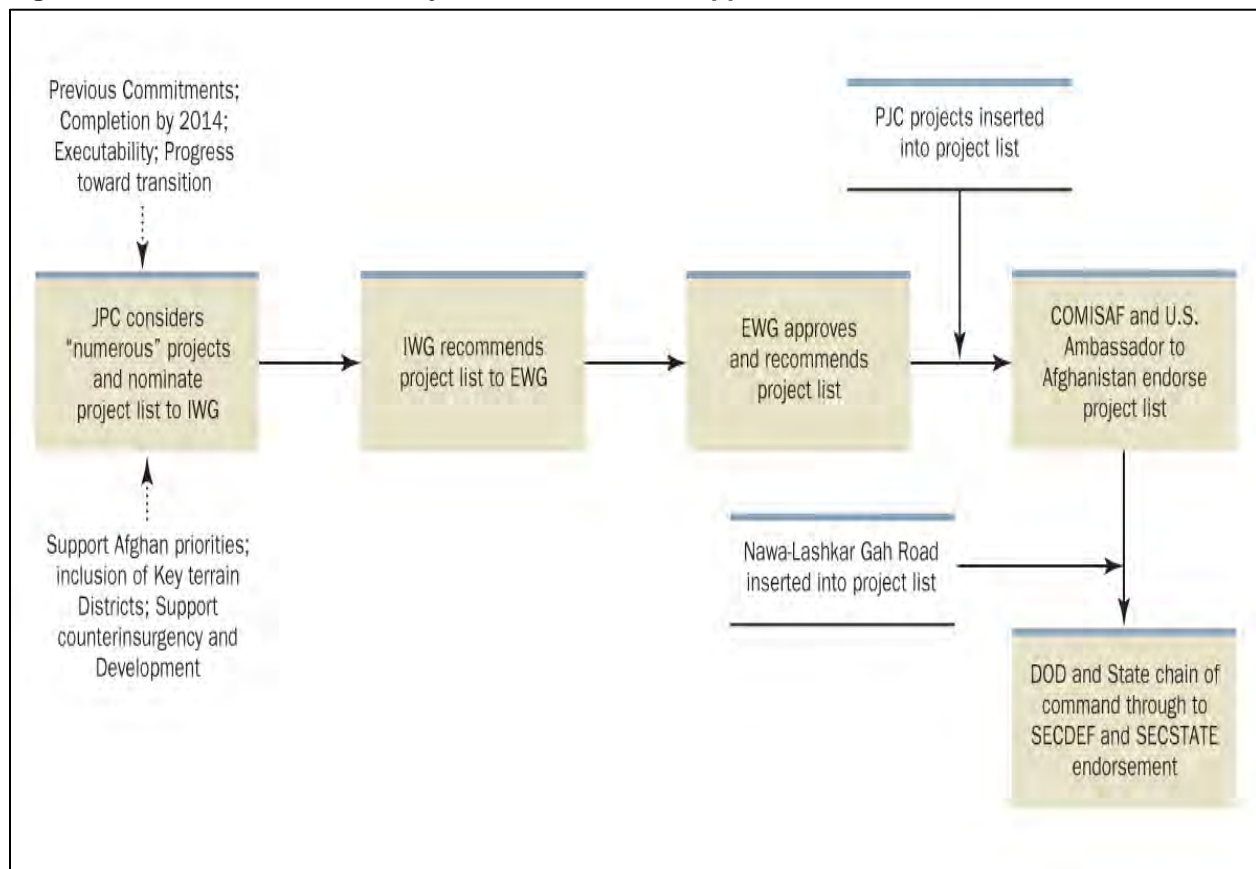
We assessed internal controls over procedures for the obligation and disbursement of funds through interviews, site visits, and review of purchase and delivery verifications processes. We also reviewed project files and interviewed decision makers to assess the transparency and impartiality of the AIF project selection process.

We conducted work in Washington, D.C., and in Kabul and Kandahar, Afghanistan, from November 2011 to June 2012 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law No. 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008.

## APPENDIX II: FISCAL YEAR 2011 AND 2012 AFGHANISTAN INFRASTRUCTURE FUND PROJECT NOMINATION AND APPROVAL PROCESS

No prescribed nomination process existed for fiscal year 2011 Afghanistan Infrastructure Fund (AIF) projects, however, projects required agreement between the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) officials at various levels, including the Joint Program Committee (JPC), the U.S. Embassy's Infrastructure Working Group (IWG), the U.S. Embassy's Executive working Group (EWG), the Commander of U.S. Forces-Afghanistan (USFOR-A), and the U.S. Ambassador to Afghanistan, through to the Secretaries of Defense (SECDEF) and State (SECSTATE). See Figure I for the fiscal year 2011 AIF project nomination and approval process.

**Figure I: Fiscal Year 2011 AIF Project Nomination and Approval Process**



Source: SIGAR analysis of DOD, State, USAID data and information.

For fiscal year 2012 projects, however, DOD, State, and USAID formalized the nomination and approval process and required projects be nominated by the DOD Regional Commands and State Department Regional Platforms. Approved project lists would then proceed through a process similar to that of fiscal year 2011.

By May 30, 2011, regional commands and regional platforms nominated 27 projects with a combined estimated cost of approximately \$2.5 billion. Based on these proposals, DOD and State selected the fiscal year 2012 AIF projects. In fiscal year 2012, the AIF received an appropriation of \$400 million, of which 42 percent is planned to be committed to continuing/completing fiscal year 2011 AIF projects. Thus, 52 percent of available fiscal year 2012 funding went for these new projects nominated by regional commands and regional platforms.

### APPENDIX III: PLANNED CONTRIBUTION TO COUNTERINSURGENCY STRATEGY OF FISCAL YEAR 2011 AFGHANISTAN INFRASTRUCTURE FUND PROJECTS

The authorizing legislation for the Afghanistan Infrastructure Program (AIP) and subsequent appropriating legislation for the Afghanistan Infrastructure Fund (AIF) require the Secretary of Defense to notify Congress not less than 30 days before obligating funds for AIF projects. This notification is required to include a description of how each project supports the counterinsurgency (COIN) strategy in Afghanistan. Summaries of the planned COIN strategy contributions for fiscal year 2011 AIF projects provided in the congressional notification are shown in Table I.

**Table I: Planned COIN Contributions of Fiscal Year 2011 AIF Projects**

Project Title and Description	Planned Contribution to COIN Strategy
<b>Kandahar Bridging Solution</b> Fuel, operations, and maintenance	Providing fuel for the generators will enable DABS to provide electricity 24 hours/day in Kandahar City, thereby promoting security and stability, public confidence in the Afghan Government, economic development, industrial output, and improved quality of life. Demonstrating the Afghan Government's capability and capacity to provide basic services and improve living conditions is expected to further isolate the insurgency from the population and diminish popular support.
<b>Southeast Power System</b> Transmission lines and substations from Kandahar City to Durai Junction, and Lashkar Gah to Kajaki	The intended impact of this project is to improve security and stability, to demonstrate the Afghan Government's capability and capacity to meet the needs of the local population, and to promote economic development in Kandahar and Helmand. This project supports COIN efforts by increasing basic services provided by the Afghan Government in Kandahar and Helmand in direct contradiction to insurgency propaganda.
<b>Northeast Power System</b> Transmission lines and substations from Chimtala to Ghazni	This project supports COIN by demonstrating the Afghan Government's ability to build and sustain energy availability for the people of Afghanistan, reinforcing the Afghan Government's legitimacy with its populace by meeting the needs of the local population thus increasing security and stability. In addition, the project will promote and support economic development in Wardak and Ghazni.
<b>Northeast Power System</b> Transmission lines and substations from Chimtala to Gardez	This project supports COIN by demonstrating the Afghan Government's ability to build and sustain energy availability for the people of Afghanistan, reinforcing the Afghan Government's legitimacy with its populace by meeting the needs of the local population thus increasing security and stability. In addition, the project will promote and support economic development in Gardez and Paktiya.
<b>Nawa to Lashkar Gah Road</b> Pave road from Nawa district center to Helmand provincial capital of Lashkar Gah	The construction of this roadway—a critical artery in the province for trade and commerce—will provide safe and secure freedom of movement, thereby promoting economic development, as well as, agricultural development and market access.
<b>Provincial Justice Centers (PJs)</b> Infrastructure, equipment, furnishings, and one-year sustainment package for 5 Provincial Justice Centers	Providing a functioning dispute resolution and criminal justice system for major populations and strategically important centers in Afghanistan will contribute significantly to COIN efforts, promoting stability and security throughout Afghanistan. Specifically, the intended impact of the PJs is to increase access to justice and improve public perception of the Afghan Government's commitment to rule of law and good governance by providing a fair and transparent judicial system.

Source: DOD and State Fiscal Year 2011 AIF Congressional Notification, May 20, 2011.

## APPENDIX IV: REQUIRED REPORTS AND FISCAL YEAR 2011 CONGRESSIONAL NOTIFICATION TIMELINE

As shown in table II, the authorizing legislation for the Afghanistan Infrastructure Program (AIP)<sup>47</sup> and the appropriating legislation for the Afghanistan Infrastructure Fund (AIF)<sup>48</sup> require annual and quarterly reporting and congressional notification for fiscal year 2011 AIP and AIF projects.

**Table II: Required Congressional Notifications and Reports for AIP and AIF**

Type	Due	Includes	Reference
Project Notification <sup>1</sup>	Not fewer than 30 days before obligating, expending, or transferring AIF funds to implement a project	Details of the proposed project, including— (1) A plan for sustainment  A description of how the project supports the COIN strategy	P.L. 111-383
Obligation or Transfer Notification <sup>2</sup>	Not fewer than 15 days prior to making transfers to or from, or obligations from the AIF	Details of the transfer or obligation	P.L. 112-10
Quarterly Report <sup>2</sup>	Not later than 45 days after the end of the fiscal quarter	(1) The use of all funds on a project-by-project basis for AIF funds obligated prior to the submission of the report  Proposed use of appropriated funds on a project-by-project basis, for which obligation of funds is anticipated during the 3-month period	P.L. 112-10
Annual Report <sup>1</sup>	30 days after the end of the fiscal year	(1) The allocation and use of funds under the program during the fiscal year  A description of each project for which funds were expended or transferred during the fiscal year	P.L. 111-383

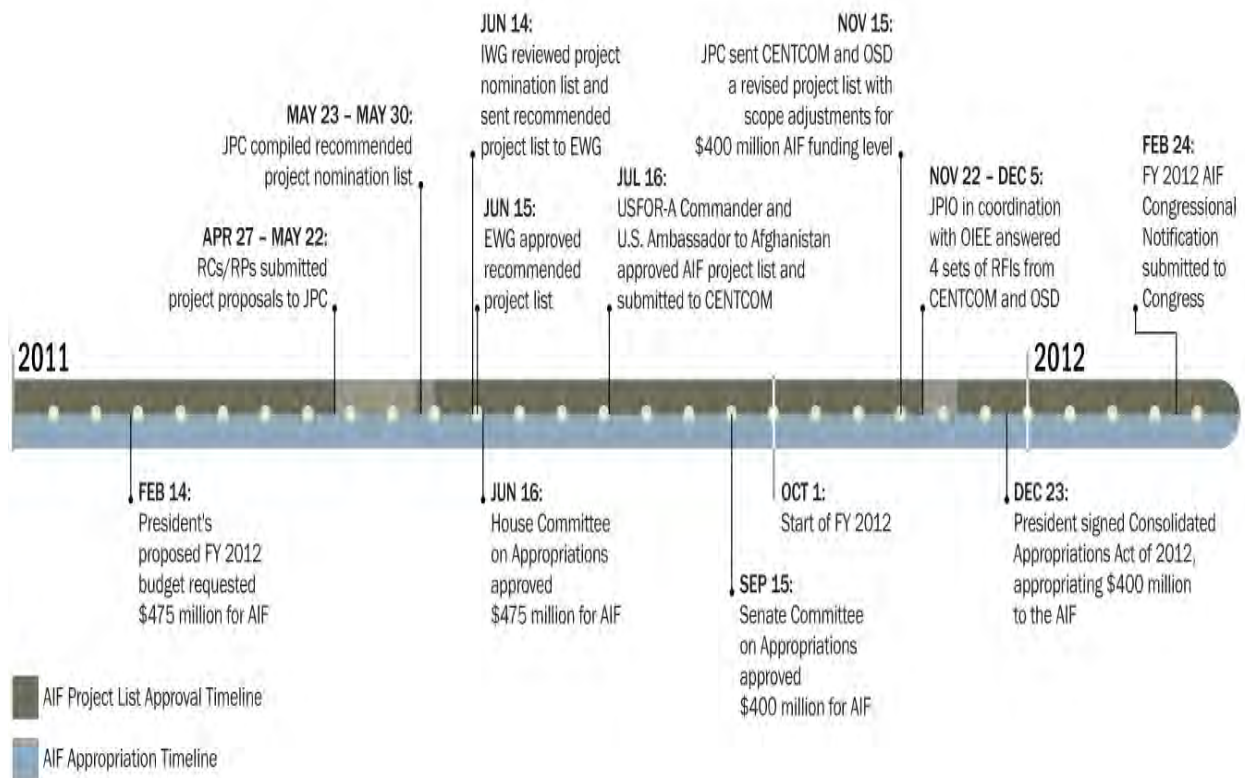
The Office of the Secretary of Defense (OSD) and U.S. Central Command (CENTCOM) also attributed the delay of the fiscal year 2012 AIF Congressional notification to project scope adjustments required after the Senate Committee on Appropriations reduced fiscal year 2012 AIF funding from the requested \$475 million to \$400 million on September 15, 2011. Two months after the funding reduction, U.S. Forces Afghanistan (USFOR-A) provided OSD and CENTCOM with a revised project list including scope adjustments for the \$400 million funding level. DOD submitted the fiscal year 2012 AIF notification to Congress on February 24, 2012, as shown in figure II.

<sup>47</sup>P.L. 111-383 §1217.

<sup>48</sup>P.L. 112-10.



**Figure II: Timeline for Congressional Notification of the Fiscal Year 2012 AIF Project List**



Source: SIGAR analysis of DOD, State, and USAID data and information, and applicable legislation.

Notes: RCs/RPs = DOD Regional Commands/State Regional Platforms; JPC = Joint Program Committee; IWG = U.S. Embassy Kabul's Infrastructure Working Group; EWG = U.S. Embassy Kabul's Executive Working Group; JPIO = USFOR-A Joint Program Integration Office; OIEE = USAID Office of Infrastructure, Energy, and Engineering.

## APPENDIX V: COMMENTS FROM THE DEPARTMENT OF STATE



United States Department of State

Washington, D.C. 20520

### MEMORANDUM

June 22, 2012

To: SIGAR – Steven Trent

From: S/SRAP – Jim DeHart, Acting Deputy

A handwritten signature in black ink, appearing to read "Jim DeHart", followed by a horizontal line.

SUBJECT: Draft SIGAR Report on the Afghanistan Infrastructure Fund

We appreciate the opportunity to review and provide comments on the draft report, “Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste.”

Over the last 18 months, the Department of State has worked closely with the Department of Defense (DoD) and the U.S. Agency for International Development (USAID) to establish the Afghanistan Infrastructure Program (AIP), a new framework designed to improve the coordination and execution of infrastructure projects in Afghanistan to maximize development and counter-insurgency impact. Establishment of the management processes and structures has taken time, but at this point we feel strongly that the program has greatly improved interagency coordination on infrastructure projects in Afghanistan that contribute to the future stability of the country.

The Department and USAID have recognized the importance of “the whole-of-government approach” noted in Joint Explanatory Statement of the Committees on Armed Services of the U.S. Senate and House of Representatives on the Fiscal Year 2011 NDAA (HASC No.5). Thus, although Economic Support Funds (ESF) are not within the scope of section 1217 of Fiscal Year 2011 National Defense Authorization Act (NDAA), the Department of State, USAID, and the Department of Defense created the AIP to improve coordination of the use of funding from both the Afghanistan Infrastructure Fund (AIF) and ESF. The Office of the Coordinating Director for Development and Economic Affairs is uniquely positioned as the nexus to coordinate interagency programs and ensure alignment with our guiding principles defined by the Secretary’s New Silk Road vision.

In addition to Embassy Kabul’s comments on this audit we would like to respond to the recommendation directed toward the Secretary of State and Secretary of Defense:

*"To help ensure the timely completion of Congressional notifications and reports for AIP projects, as well as the timely receipt of appropriated funds, SIGAR recommends that the Secretary of Defense and the Secretary of State:*

*10. Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress."*

We believe the implementation challenges encountered in 2011 were a result of the unique and new structure of the AIF and that the refined process that was developed last year and is now in place will effectively manage the notification and other administrative requirements under the law.

Now  
recommendation  
9

## APPENDIX VI: COMMENTS FROM THE U.S. EMBASSY KABUL



Embassy of the United States of America  
Kabul, Afghanistan

UNCLASSIFIED

### DECISION MEMORANDUM

June 10, 2012

TO: Acting Deputy Ambassador Richard G. Olson

THROUGH: Acting CDDEA — Ken Yamashita

FROM: CDDEA — Stephen A. Hill

SUBJECT: Response to Draft SIGAR Report on Afghanistan Infrastructure Fund (AIF)

### CONTEXT

SIGAR has prepared a draft audit report titled, "*Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste*" (SIGAR Audit 12-12). Tab 1 is the proposed Embassy response to SIGAR's request for comments.

### RECOMMENDATION:

That you approve the response to SIGAR at Tab 1

Approve 10 10 June 12 Disapprove \_\_\_\_\_ Let's Discuss \_\_\_\_\_

### Attachments:

Tab 1 Post Response to Draft SIGAR Audit on AIF  
Tab 2 Draft SIGAR Audit 12-12

UNCLASSIFIED



**Embassy Kabul Response to the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) draft report: "Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste"**

Thank you for providing Embassy Kabul with the opportunity to review and comment on the subject draft report. Presented below are Embassy Kabul's general comments on the draft report as well as our responses to the recommendations contained in the draft report. Comments on technical points are also provided.

**I. EMBASSY KABUL'S GENERAL COMMENTS ON THE DRAFT REPORT**

Embassy Kabul appreciates SIGAR's report on the Afghanistan Infrastructure Fund (AIF). The report provides useful comments on a unique, first-ever assistance program striving to bridge military campaign COIN benefits with long-term development objectives.

Embassy Kabul recognizes the critical importance of ensuring the sustainability of our projects in Afghanistan. The report correctly notes that sustainability plans were developed for each FY 2011 AIF project, the initial year of the program. These plans documented project coordination with Afghan government officials as well as anticipated sustainment measures to ensure the viability of the project. As the AIF program has matured, sustainment considerations have intensified. For the FY 2012 planning cycle, project nominations included detailed sustainment plans including costs, coordination with Afghan ministries, and how the project will be sustained after completion and transition to GIRA. For FY 2013 the bar is to be raised again; any new AIF project will require sustainment acknowledgements by the Afghan Ministry of Finance (MoF) and appropriate line ministry at the national level to ensure sustainment funding is included in the national budget. This additional step will enable adherence to USAID Administrator's "Sustainability Guidance" which affirms that our work is focused on achieving the U.S. and Afghan immediate objective of transition, and to ensure that the impact of our work is durable beyond 2014 through adherence to these core principles:

- Afghan Ownership and Capacity,
- Contribution to Stability and Confidence,
- Cost Effectiveness and Program Effectiveness.

The AIF program has highlighted the unique assistance challenge of balancing immediate COIN benefits with long-term national economic progress. As AIF projects are large-scale infrastructure efforts, project timelines by design will stretch into months and years, and COIN benefits will accrue over time and at a higher strategic level. This objective/timeline combination distinguishes AIF resources from CERP, which concentrates on short-term, quick-impact projects. We see SIGAR's conclusion that these projects may result in adverse COIN effects by creating expectation gaps as speculative. To the contrary: we believe, and our field reporting affirms, that these critical infrastructure projects have signaled to Afghan populations the U.S. Government's long term commitment to Afghanistan. As we proceed with our transition plans, there is no greater assurance we can give to a stable, sustainable, Afghanistan, then by investing in the country's future. These projects conform with the objectives of the Strategic Partnership Agreement, signed by President Obama and President Karzai in May 2012. Section V, para 2 b of that Agreement states,

*“Noting Afghanistan’s priorities, the United States shall help strengthen Afghanistan’s economic foundation and support sustainable development and self-sufficiency, particularly in the areas of: licit agricultural production; transportation, trade, transit, water, and energy infrastructure ...”*

As AIF projects are large infrastructure undertakings in remote areas of Afghanistan, project timelines have been challenged by security, contracting, logistics, and funding issues. The inter-agency Joint Project Delivery Team (JPDT) is aggressively addressing these challenges and working to mitigate risks. A very active Civ-Mil review and update process ensures that senior Embassy, USAID, and USFOR-A leadership stays focused on issues and trade-offs. This includes the Executive Working Group (EWG) co-chaired by the Embassy’s Coordinating Director for Development and Economic Affairs (CDDEA) and ISAF’s Director of Stability Operations. Final review is provided at the Principals Group, co-chaired by the U.S. Ambassador and COMUSFOR-A.

The report unfortunately mischaracterizes the nature and intention of the Afghanistan Infrastructure Program (AIP). The concept of an Afghanistan infrastructure program was presented to Congress by DoD and DoS to demonstrate how DoD funds could be integrated with State/USAID development efforts. It was not mandated by Congress, nor was it included as a separate budget line in either the National Defense Authorization Act (NDAA), or State’s appropriation legislation. Nonetheless it should be noted, the AIP as executed by our whole-of-government partnership in Kabul has been successful, fostering stronger linkages within the USG interagency, Civ/Mil team, and between our government and GIRoA. It has enhanced GIRoA’s capacity to plan and execute infrastructure enhancements beyond the 2014 transition period.

## **II. EMBASSY KABUL’S RESPONSE TO THE RECOMMENDATIONS IN THE DRAFT REPORT**

### **Recommendation 1:**

*To improve Congress’s capacity for effective oversight and enhance joint decision making for large-scale, interdependent infrastructure projects that effect sector-wide goals, SIGAR recommends that the U.S. Ambassador to Afghanistan and the USAID Mission Director, in coordination with the Commander USFOR-A:*

- 1. Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required Congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.*

Embassy Kabul concurs with this recommendation and notes that the level of coordination among all parties in theater – Embassy, USAID, USFOR-A, ISAF, Regional Commands, Regional Platforms, and international donors, has been extraordinary.

### **Recommendations 2 & 3:**



*To enhance coordination and oversight between DOD (USFOR-A and USACE), State, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

- 2. Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects.*

Embassy Kabul concurs with this recommendation.

*3. Develop a shared or web-based database, or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress.* USFOR-A and USAID have ample means to track status on AIF and ESF projects. Given the level of communication and close coordination, it is uncertain the utility of a separate, costly, AIP database would provide for the limited number of AIP projects.

**Recommendation 4:**

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director—in close coordination with key stakeholders including the Afghan government and ADB:*

- 4. Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the "critical path" to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by ADB.*

Embassy Kabul concurs with this recommendation.

**Recommendation 5:**

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, and to ensure that \$101 million of fiscal year 2011 AIF funds do not expire, SIGAR recommends that the Secretary of Defense and the Secretary of State:*

- 5. Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the NEPS project from Dast-i-Barchi to Ghazni.*

Embassy Kabul concurs with this recommendation and notes that DoD and DoS/USAD have agreed on the transfer of funds. USAID should be in receipt of the funds by the end of June.

**Recommendation 6:**

*To maximize the utility of appropriated AIF funds, SIGAR recommends that the Commander USFOR-A, in collaboration with the U.S. Ambassador to Afghanistan, the USAID Mission Director, ADB, and the Afghan government:*

- 6. Re-assess the feasibility of allowing ADB to complete the \$86 million NEPS project—using already authorized ADB funding—from Dast-i-Barchi to Gardéz, thus allowing USFOR-A to put the \$86 million in fiscal year 2011 AIF funds, programmed to accomplish the same project, to better use.*

See app. VIII, SIGAR comment 2.



This action is complete. The project was discussed with ADB and based on comparative timelines, and priority for completion of this effort, the decision was made to proceed with USFOR-A execution of this project.

**Recommendations 6 & 7:**

*To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*7. Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in Congressional notifications required by AIP authorizing legislation.*

Embassy Kabul concurs with this recommendation.

*8. Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.*

Embassy Kabul concurs with this recommendation.

**Recommendation 9:**

*To help ensure AIP projects are sustained and viable upon completion, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*9. Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required Congressional notifications.*

The sustainment plan outlined in the recommendation is warranted, however the sequence for project identification, approval, notification, design, and acquisition may not support inclusion of a detailed joint assessment in the Congressional notification.

**Recommendation 10:**

*To help ensure the timely completion of Congressional notifications and reports for AIP projects, as well as the timely receipt of appropriated funds, SIGAR recommends that the Secretary of Defense and the Secretary of State:*

*10. Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress.*

Embassy Kabul concurs with this recommendation.

Now  
recommendation 6

Now  
recommendation 7

Now  
recommendation 8

Now  
recommendation 9

## APPENDIX VII: COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

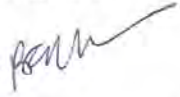


**USAID | AFGHANISTAN**  
FROM THE AMERICAN PEOPLE

### MEMORANDUM

June 20, 2012

TO: Steven Trent, Acting Special Inspector General for  
Afghanistan Reconstruction (SIGAR)

FROM: Brooke Isham, Acting Mission Director 

SUBJECT: Draft SIGAR Report "Delays in Project Implementation and  
Insufficient Sustainment Planning Put Afghanistan  
Infrastructure Fund at Risk for Waste" (SIGAR Audit 12-12)

REF: SIGAR Transmittal email dated May 25, 2012

Thank you for providing USAID/Afghanistan with the opportunity to review the subject draft audit report. Set forth below are our comments on the draft report, including our response to the recommendations contained therein.

### PART I: USAID's General Comments on the Draft Report

#### Interagency Coordination

Pages seven and eight of the draft report discuss interagency implementation of AIF projects. USAID, the Department of State (State) and the Department of Defense (DOD) have an extremely high degree of coordination in Afghanistan as well as in Washington on infrastructure and other development projects, and the Afghanistan Infrastructure Program (AIP) has been an impetus to increase that coordination. Each agency's programs are discussed regularly in meetings, which can influence the project and allows for coordination of each program.

#### Sustainability

Sustainability of AIP projects is discussed on pages 14-17 of the draft report. USAID recognizes the need to enhance the capacity of Da Afghanistan Breshna Sherkat (DABS) and also understands that a sustainable DABS has to have a mechanism in place to recover the costs of power production and distribution. As mentioned in footnote 46 of the draft report, USAID contracted with Ernst & Young to perform a risk assessment of DABS, and it is currently being used as a tool to improve DABS' systems and controls.

U.S. Agency for International Development  
Great Massoud Road  
Kabul, Afghanistan

Tel: 202-216-6288 / 0700-108-001  
Email: [kabul.usaidinformation@usaid.gov](mailto:kabul.usaidinformation@usaid.gov)  
<http://afghanistan.usaid.gov>

As required under Section 611(e) of the Foreign Assistance Act of 1961, as amended, USAID assesses the Government of the Islamic Republic of Afghanistan's (GIROA) capability (both financial and human resources) to effectively maintain and utilize the capital projects in excess of \$1 million, taking into account, among other things, the maintenance and utilization of projects in such country previously financed or assisted by the United States. In addition, USAID has funded projects which focus on enhancing the capacity of DABS to sustain GIROA facilities and assets under its management. One example is the Kabul Electricity Directorate (KED) Project that was designed for the purpose of increasing cash collection and reducing technical losses. Upon completion of the 27-month KED Project in March 2012, revenue collection in Kabul increased by 59 percent (\$31.7 million) from \$53.8 million to \$85.5 million, and technical/commercial losses were decreased by 12 percent from 50 percent to 38 percent. The KED Project created a sustainable model that could be expanded to DABS distribution centers in other provinces.

USAID's new Power Expansion, Transmission and Connectivity (PTEC) Project includes a \$120 million component to continue with increasing cash collection and reduction of technical losses in Kabul and expansion of the KED Project model to other major distribution centers such as Herat, Mazar-e-Sharif, Jalalabad, and Kandahar. In addition, PTEC also includes a \$40 million component for capacity building of DABS and the Ministry of Energy and Water (MEW) to improve their organizational efficiency. The project also includes capacity building for educational institutions, which will (1) provide needed curriculum for current DABS and MEW staff and (2) develop a qualified workforce that can be hired in the future by these organizations.

#### Audit Objectives

USAID notes a change in the audit objectives. In the audit notification provided by SIGAR, the audit objectives are stated as follows:

1. Determine how AIP projects are selected for funding; the amount and purpose of all funds obligated, disbursed, or transferred from the AIF (Afghanistan Infrastructure Fund); and whether AIP projects were, or are on schedule to be completed within the terms of the project plans, including schedule and cost.



2. Identify the processes in place for evaluating AIP projects, determine to what extent AIP project outcomes have been/will be assessed, and the nature and extent of oversight for AIP projects.
3. Assess the extent to which DOD and State have fulfilled the AIP legislative requirements, including project reporting, as set forth in the FY 2011 NDAA (National Defense Authorization Act).

Page 3 of the draft report states:

This audit assessed the extent to which (1) DOD and State established the AIP and coordinated project execution, (2) projects were implemented on schedule and achieved planned coin (counterinsurgency) effects, and (3) DOD, State, and USAID addressed project sustainment costs and other sustainment challenges. In addition, we identified the extent to which DOD, in conjunction with State, provided Congress with legislatively mandated reports related to AIP projects and AIF funds.

While USAID understands that audit objectives may change during the course of the audit, USAID requests in the future that SIGAR notify USAID of any such changes.

## **PART II: USAID's Response to Recommendations in the Draft Report**

USAID's response to the draft report's recommendations is set forth below. Because USAID was not specifically addressed in Recommendation 10, responses are provided for Recommendations one to nine only.

### **Recommendation 1:**

*To improve Congress' capacity for effective oversight and enhance joint decision making for large-scale interdependent infrastructure projects that effect sector-wide goals, SIGAR recommend that the U.S. Ambassador to Afghanistan and the USAID Mission Director, in coordination with the Commander USFOR-A (United States Forces-Afghanistan):*

*Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF (Economic Support Funds), and include this information in required Congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.*

**USAID Response:**

USAID concurs with this recommendation, and we agree to work with State and USFOR-A towards the goal of defining and identifying appropriate infrastructure projects that compose AIP.

**Recommendation 2:**

*To enhance coordination and oversight between DOD (USFOR-A and USACE (U.S. Army Corps of Engineers)), STATE, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects.*

**USAID Response:**

USAID concurs with this recommendation, and we agree to work with State and USFOR-A towards the goal of defining the roles and responsibilities for lead and secondary agencies.

**Recommendation 3:**

*To enhance coordination and oversight between DOD (USFOR-A and USACE), STATE, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*Develop a shared or web-based database or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress. (Similar consideration should be given to all development/infrastructure projects, as recommended previously by SIGAR and GAO (Government Accountability Office).)*

**USAID Response:**

USAID agrees that a single database is important for monitoring AIP project implementation and to track progress. Our preference is to include AIP project information in an existing database, such as the USAID-managed Afghan Info or the Afghanistan Infrastructure Data Center. A determination would need to be made that an existing system can be modified to accomplish this, appropriate access can be provided to DOD, State and USAID personnel, and necessary controls can be instituted.

**Recommendation 4:**

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. Government agencies and international donors, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director – in close coordination with key stakeholders including the Afghan government and ADB (Asian Development Bank):*

*Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the "critical path" to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by ADB.*

**USAID Response:**

USAID concurs with this recommendation, and we agree to work with State, USFOR-A, and other stakeholders towards the goal of developing a project execution schedule.

**Recommendation 5:**

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. Government agencies and international donors, and to ensure that \$101 million of fiscal year 2011 AIF funds do not expire, SIGAR recommends that the Secretary of Defense and the Secretary of State:*



*Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State – and ultimately to USAID – for the implementation of the NEPS (Northeast Power System) project from Dast-i-Barchi to Ghazni.*

**USAID Response:**

USAID concurs with this recommendation. A Memorandum of Agreement has been signed by USAID, State, and DOD regarding the transfer of funds. In addition, officials in Washington at USAID, State and the DOD have been working diligently on the physical transfer of those funds from DOD to USAID for this project. We currently are projecting to receive those funds by late June 2012.

**Recommendation 6:**

*To maximize the utility of appropriated AIF funds, SIGAR recommends that the Commander USFOR-A, in collaboration with the U.S. Ambassador to Afghanistan, the USAID Mission Director, ADB, and the Afghan Government:*

*Re-assess the feasibility of allowing ADB to complete the \$86 million NEPS project – using already authorized ADB funding – from Dast-i-Barchi to Ghardez, thus allowing USFOR-A to put the \$86 million in fiscal year 2011 AIF funds, programmed to accomplish the same project, to better use.*

**USAID Response:**

This issue has been discussed by all participating U.S. and Afghanistan Government agencies in consultation with ADB, resulting in a decision that USFOR-A will implement the project. As such, USAID requests closure of the recommendation upon issuance of the report.

**Recommendation 7:**

*To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

See app. VIII, SIGAR comment 2.

Now  
recommendation 6

*Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in Congressional notifications required by AIP authorizing legislation.*

**USAID Response:**

To the extent that the amount of time it takes for infrastructure projects to achieve COIN benefits can be accurately measured, USAID concurs with this recommendation, and we agree to work with State and USFOR-A towards the goal of indicating the amount of time that infrastructure projects will take to achieve COIN benefits.

**Recommendation 8:**

*To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.*

**USAID Response:**

USAID generally works with and through GIRA to determine the need and scope of infrastructure projects intended to benefit the Afghan population. We agree with this recommendation with the understanding that GIRA will generally be responsible for ensuring that AIP projects have the support of the affected Afghan population as part of the project design. We will work with State and USFOR-A towards the goal of revising the AIP guidance and project selection criteria.

**Recommendation 9:**

*To help ensure AIP projects are sustained and viable upon completion, SIGAR recommends that Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain*

Now  
recommendation 7

Now  
recommendation 8

*the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required Congressional notifications.*

**USAID Response:**

As indicated above, USAID assesses GIRoA's capability (both financial and human resources) to effectively maintain and utilize the capital projects in excess of \$1 million, taking into account, among other things, the maintenance and utilization of projects in Afghanistan previously financed or assisted by the United States. We also have undertaken assessments of the GIRoA ministries and organizations with which we work. USAID acknowledges, however, that we could do a better job of ensuring that when a capital project is complete, GIRoA has a comprehensive sustainability plan in place, the staff to implement the plan, and adequate resources in place or annual plans to seek such resources through GIRoA's budgeting process. With this understanding, we agree with subparts (a) –(c) of Recommendation 9, and we agree to work with State and USFOR-A towards the goal of developing a comprehensive sustainment plan for each AIP project.

USAID itself is not directly responsible for AIF-related Congressional notifications. It is our understanding, however, that they are submitted as required by applicable law, including any requirements related to their content.

cc: HDorcus, OAPA  
MFinston, CDDEA  
JWilson, SIGAR/Afghanistan



## APPENDIX VIII: COMMENTS FROM THE U.S. FORCES AFGHANISTAN



HEADQUARTERS  
UNITED STATES FORCES-AFGHANISTAN  
KABUL, AFGHANISTAN  
APO AE 09356

Joint Programs Integration Office

19 June 2012

### MEMORANDUM FOR CENTCOM IG

SUBJECT: SIGAR Report (053A) on "Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste"

1. The following USFOR-A Joint Programs Integration Office's (JPIO) responses are provided for your consideration in CENTCOM's consolidated response to OSD on the SIGAR draft audit report (053A) on "Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste".
2. As this report focused on the Afghanistan Infrastructure Program (AIP) and Afghanistan Infrastructure Fund (AIF) FY 2011 program, I want to offer some general comments followed by commentary on each of the recommendations.
3. The USFOR-A JPIO Water & Infrastructure Division was formed specifically to oversee the AIF, participate with USAID and the US Embassy, Kabul in the management of the AIP, and engage and synchronize AIF activities with other donor stakeholders and the Government of the Islamic Republic of Afghanistan (GIROA) ministries.
4. While the report does point out areas of mutual concern for USFOR-A and DOS/USAID, we believe that the management and effectiveness of the AIP and AIF have enjoyed greater successes than that described in the SIGAR audit report.
5. AIF is intended for large-scale infrastructure projects, and by their very nature large-scale infrastructure projects are complex, costly, requires more time to plan, design, and construct, and collaboration amongst the program development team including the Afghan government. As such, USFOR-A, US Embassy, and USAID work jointly in the identification and selection of infrastructure projects in formulating the use of AIF and in advancing the objectives of AIP. USACE, as the project execution agency, does not have a role in other agency project development as this is maintained at the program level.
6. While delays have been experienced in contracting of key power projects, we anticipate by 30 Sep 12 that Rule of Law Field Force – Afghanistan (ROLFF-A), Southeast Power System (SEPS) Ph I Kajaki Dam – Durai Junction segment, SEPS Ph II Kandahar City – Durai Junction, Northeast Power System (NEPS) Dasht-i-Barchi – Gardez, Kajaki Dam valve rehabilitation, and Dahla Dam Ph 1 projects will be under contract. This will be a significant achievement in progressing with the highest priority complex projects.

7. Since these projects will be completed in the next year or two, we have been following up with GIRoA on their commitment and planning for sustainment activities. This includes not only discussions with the line ministries, but also with the Ministry of Finance (MOF) whom is formulating the overall budget for the country. Contact with members of the MOF have yielded information that shows there are budget line items for personnel, equipment, and material resources to begin operating, maintaining, and sustaining water and transportation projects. In the power sector, Da Afghanistan Breshna Shirkat (DABS) is improving their billing and collection process to generate revenue for operation and maintenance of the power system. At our 17 Apr 12 site visit of the USAID constructed Tarakhil Power Plant in Kabul, we observed local Afghan workers performing maintenance. Additionally, we visited the National Load Control Center (NLCC) that monitors and manages power throughout the country. Afghan technicians manning the Center were trained and educated in electrical distribution management and many indicated they possessed technical degrees. These observations provide indication that GIRoA is taking positive steps in project sustainment.

8. The following are specific commentary/responses to each of the Report recommendations:

a. Recommendation 1:

*To improve Congress's capacity for effective oversight and enhance joint decision making for large-scale, interdependent infrastructure projects that effect sector-wide goals, SIGAR recommends that the U.S. Ambassador to Afghanistan and the USAID Mission Director, in coordination with the Commander USFOR-A:*

*1. Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required Congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.*

Concur with comment. There has been extraordinary collaboration and cooperation between USFOR-A, US Embassy, and USAID in the execution of the AIP and AIF. Additionally, there are forums that also provide coordination and integration of ISAF and GIRoA infrastructure activities. ISAF DCOS Stability Development and the GIRoA ministry for each of the infrastructure sector maintain a common operating picture of other nation and donor infrastructure investments. ISAF DCOS Stability Development co-chairs the Infrastructure Working Group (IWG) with JPIO and USAID. The IWG serves as a regular forum to discuss USG and other nation, donor, and GIRoA infrastructure activities providing the common operating picture and permitting the synchronization of infrastructure investments and scheduled. The monthly Inter-Ministerial Commission on Energy (ICE) is a forum for coordinating and integrating USG, ISAF, GIRoA, and donor infrastructure activities on power. The monthly Technical Secretariat of the Supreme Council on Water serves as a forum for all donors, including USFOR-A and USAID, to coordinate and facilitate water infrastructure development throughout Afghanistan. In the June 2012 meeting of the Technical Secretariat, the German contingency provided an update of their Afghanistan water resources master plan, which is intended to identify needs for possible future donor assistance.



b. Recommendation 2 and 3:

*To enhance coordination and oversight between DOD (USFOR-A and USACE), State, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

- 2. Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects, and*
- 3. Develop a shared or web-based database, or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress. (Similar consideration should be given to all development/infrastructure projects, as recommended previously by SIGAR and GAO.)*

Partially concur. It is necessary to point out that while DOS and DOD are both in the Federal family, the laws established by Congress, roles and objectives, policies and procedures, and funding for each of these departments are different and specific to the nature of the agency, objectives and different approaches. The fact that the Armed Services Committees and the Foreign Affairs Committees of both houses are separate committees illustrates the differences in reporting requirements and procedures. Regular meetings amongst USFOR-A, USAID, and US Embassy are conducted across agency processes allowing effective coordination and collaboration in areas of mutual interest and need.

See SIGAR  
comment 1.

While it may be desirable to work off of a single data platform, linking or creating a shared data platform would pose numerous logistical and Information Management (IM) security challenges. To maintain data integrity and confidentiality, DOS and DOD would have to create a system that allowed both agencies with different security systems to overcome these differences yet restrict access to just DOS and DOD.

Coordination and collaboration at the field level has been a normal means of doing business and a necessity to avoid the duplication of efforts and to create synergy amongst actions. This can be observed in the weekly coordination meetings between USAID, US Embassy, and USFOR-A representatives, bi-weekly Executive Working Group (EWG) meetings, monthly IWG meetings that include ISAF (as previously discussed), bi-weekly power coordination meetings via SVTC, bi-weekly water coordination meetings via SVTC (started in May 2012), monthly meetings with the Ministry of Energy and Water (MEW) on water project development that include other stakeholders and donors (as previously discussed), monthly ICE meetings with the MEW and Ministry of Economy on power project development and includes other stakeholders and donors (as previously discussed), weekly coordination of rule of law projects with Task Force 435, bi-monthly meetings with the Ministry of Public Works for transportation projects, quarterly meetings with IJC, and ad-hoc meetings as required. In weekly meetings, USFOR-A JPIO, USAID, and US Embassy representatives discuss program and project issues to ensure consistency within the AIP, project execution, develop reprogramming recommendations for senior level decision forums, and arrange for the AIF FY13 program formulation. An example of the result of coordination amongst JPIO, USAID, and US Embassy representatives is the decision to transfer AIF funds from DOD to DOS for the USAID to implement the \$101M FY11 NEPS Dasht-i-Barch – Ghazni project on budget; this project is a major segment of the USAID's NEPS-SEPS connection between Kabul and Kandahar and discussions led to agreeing that it was more cost effective and technically feasible to have USAID execute this project amongst the rest of the NEPS-SEPS connection. Another example highlights the effectiveness of recent meetings



with MEW staff that facilitated the exchange of information on project development progress, MEW actions in developing a Dahla Dam reservoir inundation plan, and Ministry of Finance resourcing of project sustainment plans.

In addition, outside of the program management coordination with the GIRoA ministries, the Regional Commands (RC), Regional Platforms (RP), Task Forces (TF), and Operational Planning Teams (OPT) meet regularly with local ministry representatives.

c. Recommendation 4:

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director—in close coordination with key stakeholders including the Afghan government and ADB:*

*4. Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the "critical path" to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by ADB.*

Concur with comment. Thru the various forums previously described, the US funded, donor, and Afghan infrastructure project schedules are coordinated and shared in a common operating picture for each of the infrastructure sectors. However, with the exception of the NEPS-SEPS connector, all US funded projects are stand alone, complete and useable projects that are not dependent upon other projects for the delivery of the product. The transfer of \$101M of AIF FY11 funds to USAID corrects the challenges of coordinating the interrelated infrastructure project and placed the project under a single executor. Individual project schedules are affected by the complexity of the planning, design, and construction phases, complications caused by the project location and features, effects of the security condition at each location, local Afghan politics, insurgency, procurement and transport of materials and equipment, bidding climate for the sector, the receipt of the FY11 AIF allocations in July 2011, and other factors. For example, the normal delivery of goods to Afghanistan is through Pakistan. Changes in Pakistan's customs and border procedures are known to have delayed items from arriving into Afghanistan including construction equipment and materials destined for USG funded infrastructure projects. While other more expensive means of material and equipment transport is available, namely by air freight, materials already delayed at the Pakistan border have impacted project implementation. Receipt of funding allocations in the late third quarter of FY11 made it impossible for USFOR-A and USACE to award contracts within the FY11 timeframe, and thus delaying implementation to FY12.

These individual project execution delays contribute to the overall development of the respective infrastructure sector and are interrelated as the project completion contributes to the infrastructure system being developed. Updates to the schedule of ongoing and planned construction in the energy sector are shared at the monthly ICE meeting and water sector schedules are shared at the monthly Technical Secretariat of the Supreme Council on Water and meeting with MEW and each system's plan are refined accordingly.

d. Recommendation 5:

*To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, and to ensure that \$101 million of fiscal year 2011 AIF funds do not expire, SIGAR recommends that the Secretary of Defense and the Secretary of State:*  
*5. Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the NEPS project from Dast-i-Barchi to Ghazni.*

To be addressed by OSD.

e. Recommendation 6:

*To maximize the utility of appropriated AIF funds, SIGAR recommends that the Commander USFOR-A, in collaboration with the U.S. Ambassador to Afghanistan, the USAID Mission Director, ADB, and the Afghan government:*  
*6. Re-assess the feasibility of allowing ADB to complete the \$86 million NEPS project—using already authorized ADB funding—from Dast-i-Barchi to Gardez, thus allowing USFOR-A to put the \$86 million in fiscal year 2011 AIF funds, programmed to accomplish the same project, to better use.*

Non-concur with the recommendation as the action has already proceeded to the point of making it infeasible to change course. JPIO, USAID, and Embassy representatives had extensive discussions with the Asian Development Bank (ADB) on the NEPS Dasht-i-Barchi – Gardez project, it became apparent that ADB would not be constructing the NEPS Gardez project for 2 or 3 years after the estimated AIF project completion. Additionally, Afghan President Karzai expressed that getting power from Kabul to the Khost province was his priority. Consequently, the project design was completed and advertised in May 2012. The ADB investment will be redirected in consultation with the Government of Afghanistan.

See SIGAR  
comment 2.

f. Recommendation 7 and 8:

*To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*  
*7. Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in Congressional notifications required by AIP authorizing legislation.*  
*8. Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.*

Now recommendation  
6 and 7

Partially concur with comment. USG delivering on infrastructure commitments itself is a COIN benefit as this establishes integrity with Afghan officials and confidence with the Afghan populous. Support of the affected population is voiced by the concurrence of the local, provincial and national government representatives. There is no doubt that AIF and other infrastructure programs have improved the lives of the Afghan people directly and indirectly. We believe that when Afghan officials hear of project awards and the Afghan people observe construction contract mobilization, not only will this demonstrate progress, but word will spread quickly that USG is delivering on its promises and positive COIN benefits will be realized. When the project is completed and the delivery of the infrastructure service is realized, additional COIN benefits will be achieved.

See SIGAR  
comment 3.



g. Recommendation 9:

*To help ensure AIP projects are sustained and viable upon completion, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:*

*9. Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required Congressional notifications.*

Partially concur with comment. Developing a comprehensive sustainment plan is the responsibility of GIRoA and not the JPIO. JPIO should not draft nor submit a US developed sustainment plan as it would commit GIRoA to actions that they may not pursue. JPIO will continue to work with GIRoA to secure better evidence that the Afghans plan to sustain the infrastructure we provide. While GIRoA has provided official correspondence indicating their commitment to sustaining each AIF projects upon turnover, USFOR-A, USAID, and US Embassy staff have taken further steps in guiding and verifying that each line ministry are properly developing plans for sustainment and submits evidence that they are working to secure financial, equipment, and personnel resources. Information provided by the MOF indicates the national budget contains financial resources (including use of power revenues) for the line ministry to address infrastructure sustainment. Examples of GIRoA taking positive steps to address sustainment include our observations of DABS employees actively maintaining the new Tarakhil power plant in Kabul, DABS employees observed actively managing power systems in the National Load Control Center at Tarakhil (including learning that DABS employees have been educated and received degrees in power systems), continuing discussions with MEW about the development of an inundation plan and relocation strategy for the pool raise at Dahla Dam, USAID facilitating the implementation of the DABS power billing system, DABS demonstrated abilities to provide and maintain electrical services to about 800,000 customers, anecdotal information that road maintenance equipment have been observed in operation at some provinces, evidence from the MOF of the implementation of a fuel tax to generate revenue, and MOF budget formulation of line ministry line item budgets for maintenance and operations. JPIO will continue to provide to CENTCOM and OSD, the GIRoA correspondence and antidotal evidence that GIRoA plans to sustain the infrastructure we provide.

h. Recommendation 10:

*To help ensure the timely completion of Congressional notifications and reports for AIP projects, as well as the timely receipt of appropriated funds, SIGAR recommends that the Secretary of Defense and the Secretary of State:*

Now  
recommendation 8

See SIGAR  
comment 4.

*10. Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress.*

To be addressed by OSD.

We hope that you will find the above commentary responsive to your investigation.



STACEY K. HIRATA, P.E., SES  
Director, Joint Programs Integration Office  
US Forces - Afghanistan

Now  
recommendation 9

## SIGAR Responses to USFOR-A Comments

1. Although USFOR-A stated that USAID, U.S. Embassy Kabul, and USFOR-A meet on a regular basis to coordinate infrastructure projects, USFOR-A did not explain why it did not fully concur with our recommendation to define lead and secondary agency roles and responsibilities for the implementation of AIP projects. Similarly, USFOR-A stated that working from a single data platform, as previously recommended by SIGAR and GAO, would pose numerous logistical and information management security challenges, but it did not explain why the U.S. government could not overcome those challenges. Moreover, USFOR-A agreed that having access to project data would contribute to better project planning, eliminate overlap, and allow agencies to leverage each other's resources more effectively. Requiring the inclusion of AIP project information in an existing or developing database would meet the intent of our recommendation and should minimize agency burden or costs.
2. In commenting on our draft report, USFOR-A disagreed with a recommendation to reassess the feasibility of allowing ADB to complete the NEPS project, thus allowing USFOR-A to put the \$86 million in AIF funds to better use. During our fieldwork, we found that ADB had funding available and was already designing and preparing to implement the project when it learned, unexpectedly, that the U.S. government intended to implement the project. USFOR-A stated that the project design was completed and the project was advertised in May 2012. As a result, we have deleted the recommendation from our report. However, we note that USFOR-A missed an opportunity to allow another donor to continue financing the project, particularly after the donor had already completed the design and preparation phase. USFOR-A further noted that the ADB did not plan to construct the project for 2 or 3 years after the estimated completion date of the AIF-funded project. However, the ongoing delays that USACE has experienced in executing the project, combined with a new phased acquisition strategy consisting of a base contract-plus options, may result in further delayed execution timeframes and increased costs. Given AIF project delays, it is uncertain whether the ADB project would have been completed 2 or 3 years later. In deciding to fund this project, the U.S. government missed an opportunity to put to better use the \$86 million committed to the execution of the Dast-i-Barchi to Gardez line.
3. In commenting on recommendations 6 and 7, USFOR-A made general statements about its perception of COIN benefits but did not challenge our recommendations, state why it did not fully concur with them, or outline steps and timeframes for implementation.
4. USFOR-A partially concurred with recommendation 9 and stated that doing so was "the responsibility of GIRoA and not the JPIO." We disagree with this position and note that appropriating legislation requires all AIF projects to have a sustainment plan and for the sustainment plan to be included in congressional notifications. Further, we note that while USFOR-A and State provided required sustainment plans to Congress, those plans were inadequate for a variety of reasons stated in the report.

## APPENDIX IX: COMMENTS FROM THE OFFICE OF THE SECRETARY OF DEFENSE



OFFICE OF ASSISTANT SECRETARY OF DEFENSE  
2700 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2700

July 13, 2012

Mr. Albert H. Huntington, III  
Deputy Assistant Inspector General for Audits  
Special Inspector General for Afghanistan Reconstruction  
400 Army Navy Drive, Arlington, VA 22202

Dear Mr. Huntington:

This letter and the enclosures comprise the Department of Defense (DoD) response to the recommendations of the draft the Special Inspector General for Afghanistan Reconstruction (SIGAR) Audit Report, *"Fiscal Year 2011 Afghanistan Infrastructure Fund Projects are Behind Schedule and Lack Adequate Sustainment Plans, dated June dd, 2012 (SIGAR Audit 12-12 Infrastructure)."*

The Department understands the intent of the audit and partially agrees with the SIGAR's recommendations pertaining to the infrastructure projects of the Afghanistan Infrastructure Program (AIP) and the Afghanistan Infrastructure Fund (AIF). However, the report reflects a fundamental lack of understanding of U.S. counterinsurgency (COIN) doctrine and the integrated civil-military strategy for Afghanistan. For example, repeated statements in the report that COIN effects may take years to be felt, if at all, miss the point that the campaign is a fully joined military civilian effort. The U.S. Marines that have been fighting alongside Afghan partners to clear the road to the Kajaki dam are part of this combined effort. The COIN effects of this effort are already being felt in changed tribal dynamics and loyalties shifting from the Taliban to Government of Afghanistan authorities. To fully understand the COIN impacts of the infrastructure projects it is necessary to look holistically at the entire effort, including on-going military efforts and political and governance efforts, as well as the process and completion of the infrastructure projects that are the subject of this report. This is an area where I and my office stand ready to have further discussions with your staff about the report.

We believe the audit report was premature and strongly disagree with many of its findings and conclusions which, in our view, are not well substantiated. It is our understanding that based upon recent input from the Department, SIGAR revised the title and summary conclusion of the report. These changes are welcomed, but insufficient. We do not believe the report is ready for publication at this time.

During the entrance meeting with SIGAR auditors in November 2011, DoD expressed reservations about conducting the audit at the beginning of the program and before most of the projects were underway. Many of the findings of late implementation do not take into account the time consuming requirements associated with the design, planning, and execution of large scale infrastructure projects, particularly in a counterinsurgency environment, none of which could be started until the project funding was available in the last quarter of FY11. In addition, some of



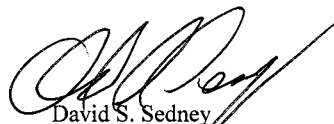


the recent delays in project implementation were a result of responsible management and contracting decisions to mitigate risks and ensure that projects are executed efficiently.

It is with concern we note the conclusion that projects will not achieve desired COIN benefits for several years and may even result in adverse COIN effects. These assertions, especially of a potential negative COIN impact, do not square with the situation we see, nor with what we hear from our colleagues in Afghanistan. Our information is that the COIN impact of some projects is already apparent, especially in the areas of Helmand closest to the Kajaki dam. COIN effects are not measured by the completion of projects.

The AIP was specifically requested by the Secretaries of Defense and State, and serves the missions of both Departments in supporting projects critical to COIN objectives and economic development. AIP and AIF remain crucial to our integrated national efforts in Afghanistan, through transition and over the long term. We expect this program to maintain our stability gains and support the foundation for continued economic development.

Despite our objections to the draft report, we recognize the SIGAR audit team's intent, and look forward to working closely with you to develop constructive recommendations and resolving these issues together.



David S. Sedney  
Deputy Assistant Secretary of Defense  
Afghanistan, Pakistan, & Central Asia

Enclosures:  
DoD General Comments to SIGAR Draft Audit Report  
DoD Detailed Comments to SIGAR Draft Audit Report

## Department of Defense Comments to SIGAR Draft Audit Report

*Fiscal Year 2011 Afghanistan Infrastructure Fund Projects are Behind Schedule and Lack Adequate Sustainment Plans (June 2012, Report Number 12-12)*

### Overview

The Department of Defense (DoD) appreciates the intended purpose of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) evaluation of the Afghanistan Infrastructure Program (AIP) and the Afghanistan Infrastructure Fund (AIF) and welcomes recommendations for improving both. However, the Department believes the assessment was premature and reflects a clear lack of understanding of U.S. counterinsurgency (COIN) doctrine and the integrated civil-military strategy for Afghanistan. As a result, the report includes unduly negative findings. DoD strongly disagrees with many of the findings and conclusions and is concerned that the draft report does not accurately characterize the program and misconstrues both its structure and major thrust.

See SIGAR  
comment 1.

The AIP, while not a classic military acquisition or development program, is a joint effort by which the DoD and the Department of State (DOS), along with the United States Agency for International Development (USAID) plan, develop, coordinate, and execute critical large-scale infrastructure projects supporting the Integrated Civil-Military Campaign Plan and the Civil-Military Strategic Framework in order to achieve overlapping counterinsurgency (COIN) and economic development objectives. The AIP provides the means for DoD and DOS to apply resources and capabilities in a coordinated manner to achieve critical national objectives in Afghanistan.

Created in fiscal year (FY) 2011 at the request of the Secretaries of State and Defense<sup>1</sup>, the AIP was still in its infancy when SIGAR began the audit in November 2011. United States Forces-Afghanistan (USFOR-A), DoD's implementing agency for AIP projects, did not receive funds for project execution until the fourth quarter of FY11, just months before the audit began. At the SIGAR entrance brief, DoD raised concerns that the audit was premature because it was attempting to evaluate execution of construction projects that were still being designed, and implementation processes that were still being refined.

See SIGAR  
comment 2.

As a result, the report includes misleading and/or unsubstantiated findings and conclusions that, among other things: (1) DoD and DOS did not develop an Afghanistan Infrastructure Program; (2) some AIP projects experienced schedule delays; (3) AIF projects may not achieve COIN benefits; and (4) DoD and DOS did not fully address project sustainment.

See SIGAR  
comment 3.

<sup>1</sup> DoD and DOS letter to Congress dated 19 November 2010 states: "We are writing to request your support in establishing an Afghanistan Infrastructure Fund (AIF) that would enable the U.S. Government, in consultation with the Government of the Islamic Republic of Afghanistan (GIROA), to execute high-priority, large-scale infrastructure projects in support of our civil-military campaign in Afghanistan. Given the importance of these projects to our efforts, DoD is prepared to reduce its request for the Commander's Emergency Response Program by \$400 million in order to resource this fund...The Department of State, in parallel, plans to draw on existing foreign assistance resources from the Economic Support Fund for Afghanistan, and will submit a request to reprogram funds to support this effort. Together, these two efforts will support an integrated Afghanistan Infrastructure Program (AIP) that will provide the basis for a whole of government approach to this critical issue."

AIP was designed and established entirely consistent with congressional intent and understanding of the departmental roles. This AIP framework was briefed to Congress in conjunction with the formal request for authorization and funding of AIF. AIP consists of all DoD AIF projects and a supporting, interconnected subset of USAID Economic Support Fund (ESF) projects, which are essential to meet program objectives. Under the program, DOS and USAID must identify ESF-funded AIP projects before DoD approves AIF projects and provides notification to Congress. In congressional briefings supporting the FY11 notification process, DoD, DOS, and USAID identified all AIP projects—funded by either ESF or AIF—and their relationship to each other.

See SIGAR  
comment 4.

DoD and DOS continuously monitor the AIP projects and adjust plans and resources to adapt to the dynamic environment of a military conflict. The AIF project timelines that SIGAR reviewed were preliminary estimates that were revised as conditions and requirements clarified, and to account for initial administrative and regulatory startup requirements that prevented the release of project funds until the fourth quarter of 2011. Furthermore, security concerns delayed the contract awards for both ESF and AIF power projects, resulting in higher-than-projected contract proposals for AIF projects that necessitated an additional round of bidding.

See SIGAR  
comment 5.

The report highlights the possibility of adverse COIN effects due to unfulfilled expectations or a lack of citizen support, at the same time asserting that positive COIN effects may not be achieved for several years. Clearly, if dashed hopes can produce adverse effects, then that very hope produces positive COIN effects in advance of project implementation. COIN benefits, including the expectation of future services, expanded business opportunities for Afghan companies, and employment of the local population and contractors, are realized long before projects are completed. DoD understands the need to analyze potential outcomes, but is concerned that the report repeatedly speculates on and implies the inevitability of negative outcomes. An objective review should equally evaluate the likelihood of alternative outcomes, their potential for generating positive COIN benefits, and their contribution to integrated civil-military objectives.

See SIGAR  
comment 6.

The report concludes that the success of many AIF projects depends on other unidentified and unfunded projects. However, this statement could only apply to one project—the Kandahar Bridging Solution. From inception, and as explicitly briefed to Congress to gain program authorization, bringing power to the Kandahar region is the highest priority effort for AIP. The bridging solution was just that. It provided immediate and ongoing COIN benefits, but was never intended to be permanently sustained; rather, it was designed to be supplanted by the other component projects of this initiative to bring sustainable power to the south and southwest regions of Afghanistan. Moreover, all of these projects, with estimated costs, timetables, funding sources, and implementing agencies, were identified to the congressional oversight committees prior to and after the establishment of AIP and AIF.

See SIGAR  
comment 7.

Plans for sustainment for each project were developed, and DOS, DoD, and USAID continue to engage GIRoA at all levels to build the requisite capacity to sustain projects in major infrastructure sectors, including power, water, and transportation. The Afghan entities charged with long-term project sustainment are showing significant progress as a result of these efforts. Additionally, even with uncertain sustainment, the short- and mid-term benefits of AIF projects are essential to achieving Civil-Military goals. It was for this reason that the creation of the AIP

Page 2 of 8

was jointly requested by the Secretaries of State and Defense. The program continues to serve the mission of both Departments.

In a preliminary response to the formal coordination of this audit, the Department had expressed concerns about its thoroughness primarily because the audit team had not discussed nor clarified its initial findings with the proponent offices in the Office of the Secretary of Defense (OSD) and the Joint Staff, as had been done with other Departments and subordinate offices in DoD. The Department is pleased that in response to this concern, the SIGAR audit team quickly met with OSD Policy representatives and considered their oral and written positions. It is the Department's understanding that as a result of this engagement, the title and summary conclusion of the audit will be revised. However, the Department expects that significant points of disagreement remain that may have been resolved by better communications.

See SIGAR  
comment 8.

Despite the above concerns, DoD sees merit with many of the report's recommendations. As part of a continuous effort to ensure the effectiveness of the AIP and the successful completion and sustainment of AIF projects, DoD has already addressed many of these concerns. The AIP and AIF are critical to our integrated national efforts in Afghanistan, through transition and over the long term. We expect this program to maintain our stability gains and support the foundation for continued economic development.

### Recommendations

The Department appreciates the SIGAR's efforts to improve the AIP and AIF through the recommendations provided in the draft report. Given OSD's role in the establishment of the program and its explicit oversight responsibilities, this response addresses DoD-specific recommendations and some recommendations that were not specifically directed at OSD.

**Recommendation 1:** *Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required Congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.*

Non-concur with comment: The congressional reporting requirements in the NDAA cover AIF funded projects, whether executed by DoD or DOS. ESF-funded projects have different and detailed reporting requirements and processes addressing the needs of their principal oversight committees. Additional detailed reporting as part of AIP would be duplicative and administratively burdensome. Congress did not intend for creation of the AIP to impose such burdens on the ESF program.

**Recommendation 2:** *Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects.*

Partially concur with comment: The roles and responsibilities for the implementation and oversight of AIP projects are established. DoD is in the process of refining the detailed reporting and notification requirements to improve management visibility and oversight. For AIF projects, DoD is ultimately responsible for oversight and established reporting requirements through a Memorandum of Agreement (MoA) for funds transferred to USAID. DOS and USAID-funded

Page 3 of 8

projects are under the purview of those agencies, unless funds are transferred to DoD. In all cases interagency collaboration and cooperation is firmly established and effective.

**Recommendation 3:** *Develop a shared or web-based database, or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress. (Similar consideration should be given to all development/infrastructure projects, as recommended previously by SIGAR and GAO.)*

Partially concur with comment: AIF-funded projects are included in existing DoD financial databases where expenditures/progress can be tracked. Due to the expected small number of overall AIP/AIF projects, the creation of another database tracking system would be cost-prohibitive. AIF projects are also reported (as are ESF projects) to DOS for incorporation in the foreign assistance dashboard, a database that tracks worldwide, U.S. foreign assistance.

**Recommendation 5:** *Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the NEPS project from Dast-i-Barchi to Ghazni.*

Concur with comment: DoD has transferred the funds to USAID. As this was the first transfer to take place using AIF funds, program specific transfer procedures were developed, including a Memorandum of Agreement (MoA) between DoD, DOS and USAID, to ensure adequate oversight and reporting mechanisms were established with the transfer of funds. Additionally, DoD and USAID were each required separately to notify Congress 15 days prior to transferring and receiving the funds.

**Recommendation 7:** *Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in Congressional notifications required by AIP authorizing legislation.*

Non-concur with comment: This recommendation does not recognize that COIN benefits can begin at project inception and increase through project completion. Some COIN benefits are realized long before projects are completed. The projected schedules for all AIP projects are regularly provided in congressional briefings, both in support of the notifications and other updates. The projected completion dates could be included in the notifications; however, they are rough estimates that will need to be updated regularly, given changing operational requirements and conditions in theater. Congress understands this and therefore requires DoD to show how projects support the counter insurgency strategy, not when, which is largely subjective and a function of many variables other than the specific AIP project.

**Recommendation 8:** *Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.*

Non-concur with comment: Current initial guidance already includes the local population and government in project identification and planning for sustainment. The project approval process includes consultations with local, provincial, and national Afghanistan government officials who represent the Afghan population.

**Recommendation 9:** *Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned*

Now  
recommendation 6

Now  
recommendation 7

Now  
recommendation 8

Page 4 of 8



source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required Congressional notifications.

Partially concur with comment: Plans for project sustainment are included with each congressional notification. All congressional notifications are estimates with regard to the individual project details and costs. As part of the project nomination process, cost estimates are developed, including costs for sustainment. However, final estimates cannot be obtained until the project is approved and the design finalized. GIRoA officials are involved at all stages and are aware of the potential cost estimates for sustainment and provide written commitments to sustain the projects upon completion. We recognize the importance of sustainment of these projects, and U.S. Government agencies, including DoD, continue to work with GIRoA to assist in developing the capability and capacity to plan for sustainment, and to maintain and sustain these projects.

**Recommendation 10:** Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress.

Partially concur with comment: DoD and DOS/USAID jointly developed and coordinated the notification formats and provided guidance to the field, delineating expected timelines for project approval and notification packages. In addition, formal DoD oversight, financial management and reporting/notification guidance has been developed and is in final coordination.

#### General Comments

These general comments are DoD's response to SIGAR's main findings and conclusions contained in the draft report.

*"DoD and State did not develop an Afghanistan Infrastructure Program (AIP) or jointly implement AIF projects."*

- The above statement does not accurately reflect the development of the AIP or how AIF projects are implemented. The conclusion that DoD and DOS did not develop an AIP is based largely on the view that ESF funds have not been allocated to the program. The AIP, created at the request of DoD and DOS, was intended to support the Civil-Military Campaign Plan for Afghanistan and to help DoD and DOS jointly develop and approve infrastructure projects.
- The combined program was established through the process of DoD and State jointly formulating and approving the FY11 AIF project list, approval of which was based on the identification of specific ESF projects by State and USAID that would comprise ESF contributions to AIP. These projects were not included in the congressional notification on AIF—and were not required to be included. DoD and DOS/USAID initially planned on including the ESF projects in the notification, but mutually decided to remove them

Now  
recommendation 9

See SIGAR  
comment 9.

See SIGAR  
comment 10.

Page 5 of 8

due to the disparity of methods and timing between the Departments in responding to their primary congressional oversight committees.

- These ESF projects were identified to the senior decision makers of both Departments in order to receive their endorsement and approval of the congressional notifications. Furthermore, the ESF projects were identified and provided to all eight relevant sub-committees in the follow-up briefings in support of the notifications.
- To date, DOS and USAID ESF projects, designated as the DOS/USAID portion of the AIP, constitute more than a billion dollars. Additionally, DoD and DOS, and their respective implementing agencies (USFOR-A and USAID) continue to coordinate these projects at all levels, from headquarters to the theater.
- DoD and DOS/USAID are jointly implementing the program. There is no requirement for DoD and State to jointly implement individual AIF projects at all levels of management. In fact, page 4 of the audit correctly indicates that AIF projects are to be implemented by State *or* DoD. Regardless, the report concludes that DoD and DOS are not jointly implementing projects because they have not formed Joint Project Delivery Teams (JPDT) as described in initial field-level AIF guidance.<sup>2</sup> However, the guidance provides a general framework for project implementation, not a set of inviolate procedures. The purpose of a JPDT is to ensure overall project management and coordination among stakeholders. Implementing agencies tailor their management approach to suit the needs of individual projects. As noted, USFOR-A and USAID are forming a joint team to manage multiple power projects at Kajaki Dam.
- The report cites unnamed officials whose opinions indicate unfamiliarity with the foundational concept of AIP. Their comments are presented as evidence that the AIP was not jointly developed. It is not clear if the comments came from principal senior-level personnel with primary management and oversight responsibilities for AIP. DoD is concerned that the views of authoritative personnel are not adequately reflected in the report.

*“Most fiscal year 2011 AIF projects are 6-15 months behind original schedule and projects may not achieve desired COIN effects.”*

- The report reflects a lack of understanding of U.S. COIN doctrine and its role in the integrated civil-military strategy for Afghanistan. As a result, the report incorrectly assumes that counterinsurgency (COIN) benefits begin after a project is completed. There are immediate COIN benefits when the local population learns of a project, participates in project planning and approval, and sees construction begin. Progress, even in the early stages of a project, sustains positive expectations and encourages local commitment to future progress. Additionally, AIF projects will employ local civilians and contractors, adding to the immediate COIN benefits by generating economic activity.

<sup>2</sup> *The Joint Plan for Implementation & Management of the Afghanistan Infrastructure Fund, In Support of the United States Department of State, Department of Defense, and the Government of the Islamic Republic of Afghanistan*, USFOR-A Joint Program Integration Office and USAID’s Office of Infrastructure, Energy, and Engineering, June 16, 2011.

See SIGAR  
comment 11.

See SIGAR  
comment 12.

See SIGAR  
comment 13.

See SIGAR  
comment 6.

- It is important to note that the schedule(s) in the congressional notification were estimates and had to be modified due to administrative delays and security concerns in the highly uncertain conditions of a conflict zone. Funds for FY11 projects were not available until fourth quarter of 2011. Security concerns resulted in higher-than-projected contract costs, necessitating an additional round of bidding. DoD, DOS, and USAID have overcome these issues and DoD awarded a contract for the first major portion of the Southeast Power System (SEPS) project and USAID will obligate the first leg of the connection linking SEPS with the Northeast Power System in early July 2012.

See SIGAR  
comment 5.

*“DoD, State, and USAID did not calculate costs or otherwise ensure sustainability.”*

- Cost estimates were developed and included estimated sustainment costs. GIRA agreed to sustain these projects upon their completion and transfer.
- DoD, DOS, and USAID understand the concern about project sustainability. Developing Afghanistan’s internal capabilities has been, and continues to be, a major area of focus for AIP.
- The audit refers to “current project plans for fiscal year 2013 AIF...”. Any “proposed” projects being discussed for FY13 have not been officially endorsed and should be considered conjecture at this point in time, as potential projects for FY13 and beyond have not been fully defined nor approved jointly at any level.

See SIGAR  
comment 14.

See SIGAR  
comment 15.

*“DoD, in coordination with State, has not provided all required reports to Congress.”*

- The report documents four congressionally mandated reports/notifications related to AIP and AIF and notes that DoD and DOS failed to comply with the requirements for the FY11 annual AIF report and the first quarter FY12 report.
- The FY11 AIF annual report was provided to Congress on April 18, 2012. Due to the late receipt of project funds, the report only covered a two-month period. More importantly, DoD provided periodic program updates through briefings to Congress.
- The Consolidated Appropriations Act, FY12 (P.L. 112-74), enacted December 23, 2011, does not include the requirement for AIF quarterly reports.

See SIGAR  
comment 16.

*“Conclusions.”*

- The SIGAR report reflects a fundamental misunderstanding of the AIP program. The major thrust of the program was to bring desperately needed electrical power to a volatile region in southern Afghanistan. This included implementation of an immediate “bridging” solution to fuel generators in Kandahar. At the same time, a long-term, more cost-effective solution, designed to eventually replace the bridging solution was also developed, and is in process. The initial bridging effort has successfully demonstrated positive COIN impacts, especially in the areas of security and economic development.
- The conclusion states “the success and viability of many AIF projects hinge, in part, on unidentified, unfunded infrastructure projects...” This statement is not correct. FY11 AIP projects were developed in concert with funding provided from both AIF and ESF.

See SIGAR  
comment 17.

Page 7 of 8

In addition, the United States is working with the Asian Development Bank and others, including the Afghan government, to coordinate projects, especially power projects, to ensure there is no duplication of efforts and that all sectors/needs are addressed.

- DoD, DOS and USAID all work closely with the Afghan Government in establishing achievable goals as illustrated with the creation of the National Priority Programs for Afghanistan. For example, the U.S. Government continues to work with Da Afghanistan Breshna Sherkat (DABS), the Afghan power company, to improve and expand its current capabilities and capacities to ensure DABS can maintain the existing electrical system, as well as future additions and enhancements to the system.



## SIGAR Responses to OSD Comments

1. We conducted this audit early in the program's implementation so that any problems or opportunities for improvement could be identified and addressed prior to the withdrawal of U.S. and coalition troops. We also focused our assessment on what DOD and State reported as the COIN benefits that would be achieved by these projects. We did not try to interpret COIN doctrine, but rather assessed whether the COIN benefits they identified were being achieved or would be achieved given project delays and the length of time needed to complete projects.
2. Although Congress did not authorize or appropriate funds for the Afghanistan Infrastructure Program until fiscal year 2011, OSD requested the \$400 million in fiscal year 2011 AIF funding in November 2010; DOD notified Congress of its spend plan in May 2011; and DOD received that appropriation on April 15, 2011—7 months before the initiation of this audit. Furthermore, we specifically designed this audit to occur during the first year of the program, so that any problems or opportunities for improvement could be identified and addressed early. We believe this approach can be useful because it helps agencies make necessary course corrections during program implementation, rather than after programs have neared completion.
3. We disagree. The findings presented in the report provide sufficient, relevant, and reliable evidence that raise serious concerns about project execution delays and the sustainability of fiscal year 2011 AIF projects.
4. OSD states, "Under the program, DoS and USAID must identify ESF-funded AIP projects before DOD approves AIF projects and provides notification to Congress. In congressional briefings supporting the FY11 notification process, DOD, DoS, and USAID identified all AIP projects-funded by either ESF or AIF and their relationship to each other." However, OSD did not provide SIGAR with a final list of ESF-funded projects supporting AIP. Further, these projects were not included in either the congressional notification for fiscal year 2011 AIP projects or the annual report issued by DOD on the implementation of the AIP. Notably, U.S. Embassy Kabul, USAID, and USFOR-A all concurred with our first recommendation that agencies should define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required congressional reports.
5. We agree that the project execution schedules were estimated, as reflected in the title of figure 1, "Fiscal Year 2011 AIF Estimated Project Execution Schedules." We also agree, as stated in our draft report, that acquisition and funding delays postponed project execution schedules and that security concerns contributed to the acquisition delays.
6. Our findings regarding delayed COIN benefits are based on an assessment of the specific contributions to the COIN strategy that DOD identified in its fiscal year 2011 AIF congressional notification (reproduced in appendix III of this report). Most of these stated benefits depend on completed projects, which in most cases are years away. For example, the notification states that the northeast power system project "supports COIN by demonstrating the Afghan Government's ability to build and sustain energy availability for the people of Afghanistan..."

Because this project has experienced significant delays and the Afghan government has not yet been able to demonstrate an ability to build and sustain energy availability for the people of Afghanistan, the COIN benefits identified in the Congressional notification have not yet been achieved. If there are additional COIN benefits as a result of these projects, as suggested in OSD's comments, those benefits should be included in AIF congressional notifications.

We agree that there may be some interim COIN benefits associated with fiscal year 2011 AIF projects, and the draft report acknowledges that progress in project execution may result in COIN benefits and a desire for future services. However, as noted in the report, that desire may create an expectations gap if AIF funding is cut or replacement sources for future services are not available. The draft report also acknowledged that some degree of COIN benefits may occur if implementing agencies are able to ensure that contractors employ local laborers. However, given the ongoing delays in executing most AIF projects, it remains unclear if contracts will contain such requirements.

7. Our report states that the sustainment of some fiscal year 2011 AIF projects relies on unidentified or unfunded projects with completion dates beyond 2014. Specifically, the success and viability of three projects, including the two SEPS projects and the Kandahar Bridging Solution, rely on (1) a three-turbine-strong Kajaki Dam, and (2) a yet-to-be determined second power source. The draft report acknowledges the immediate COIN benefits of the Bridging Solution. As acknowledged by OSD, however, this project relies on unidentified or unfunded projects with completion dates beyond 2014.
8. We specifically requested an exit conference with OSD officials on April 25, 2012, to discuss our preliminary findings and draft recommendations, but they did not respond to that request. We provided a draft report to OSD, along with various other agencies, on May 25, 2012, requesting formal and technical comments by June 14, 2012. On June 21, 2012, OSD provided draft comments on the report and, at OSD's request, we went to their offices at the Pentagon to discuss these comments. On July 11, 2012, the Special Inspector General went to the Pentagon and met with a senior OSD official, again to request OSD's formal comments on the report. At that time, OSD submitted a revised draft of its comments but did not submit final signed comments until July 13, 2012.
9. The statement was revised for clarity.
10. We maintain that there is a clear distinction between AIF and AIP. AIF is one funding component of AIP, the other being ESF. As stated in the report, "Congress intended AIP to be a whole-of-government approach in support of the COIN strategy to meet fundamental, shared objectives in infrastructure and development. Congress expected both DOD and State to commit resources to AIP". OSD's comment clouds the distinction between AIP and AIF.
11. In their fiscal year 2012 Congressional Budget Justification, State and USAID requested ESF funding specifically for AIP. However, neither their fiscal year 2012 Congressional Budget Justification, the accompanying Executive Budget Summary, nor congressional notifications and

reports for AIP identified ESF-funded projects supporting AIP or specified the amount of ESF funds that State and USAID planned to use to support AIP projects. We obtained draft documents that identified some ESF-funded projects and indicated that they may support AIP, but we were unable to obtain a final list of ESF-funded projects supporting AIP. Given OSD's comments pertaining to ESF-funded projects being incorporated in multiple formal documents, we would expect OSD to concur with and implement our recommendation to "define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF and include this information in required congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects."

12. As noted in the report, "AIF guidance states that once DOD, State, and USAID identify project components and assign a lead implementing agency, the lead agency should form a JPDT to ensure joint project management, create transparency and accountability, and enable joint decision making." However, we found that, in practice, these teams do not jointly implement AIF projects and agencies tend to use JPDTs, in one form or another, for large-scale, complex energy sector projects. Consistent with the guidance, both DOD and State/USAID should strive to replicate the type of joint implementation that we identified in the report as a model of effective collaboration.
13. As a general rule, and in accordance with standard practice, we do not list the names or personally identifiable information of agency officials with whom we meet because doing so may hinder frank discussions of key issues. Our statement is based on interviews with senior officials with purview and responsibility for AIP/AIF in Washington, D.C., and in Kabul, Kandahar, and Helmand, Afghanistan.
14. The draft report notes that agencies produced sustainment plans, as required, but that the sustainment plans were broad and inadequate. DOD and State neither adequately defined project sustainment costs, nor communicated sustainment costs to the Afghan government. Although some sustainment cost estimates were calculated, there were problems with those estimates. Congress voiced concern with the sustainment plans, and we propose a draft recommendation for improvement.
15. We do not state or imply in our report that project plans have been endorsed. Rather, our report states that there is ongoing planning to use AIF to fund the development of a second sustainable power source for Afghanistan's south, should USAID not complete the NEPS to SEPS connection with ESF funds. We believe this is valuable information for the Congress.
16. As indicated in the report, DOD, in conjunction with State had not provided Congress with required reports as of February 15, 2012. Further, although the appropriations act for fiscal year 2012 does not include a requirement for AIF quarterly reports, the appropriations act for fiscal year 2011 does and, since 2011 AIF funds are still being used, that requirement remains in effect for those funds.

17. We disagree and remain deeply concerned that the success and viability of key AIF projects hinge, in part, on unidentified, unfunded infrastructure projects and the successful, timely completion of other projects that the U.S. government has been unable to complete for more than 7 years. Our statement is based on sufficient, relevant, and reliable evidence that raise serious concerns about project execution delays and challenges, sustainability, and viability of fiscal year 2011 AIF projects.



---

**SIGAR's Mission**

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

---

**Obtaining Copies of SIGAR Reports and Testimonies**

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site ([www.sigar.mil](http://www.sigar.mil)). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

---

**To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs**

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal contact SIGAR's hotline:

- Web: [www.sigar.mil/fraud](http://www.sigar.mil/fraud)
- Email: [sigar.pentagon.inv.mbx.hotline@mail.mil](mailto:sigar.pentagon.inv.mbx.hotline@mail.mil)
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan 318-3912 ext. 7303
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

---

**Public Affairs**

Public Affairs Officer

- Phone: 703-545-5974
- Email: [sigar.pentagon.ccr.mbx.public-affairs@mail.mil](mailto:sigar.pentagon.ccr.mbx.public-affairs@mail.mil)
- Mail: SIGAR Public Affairs  
2530 Crystal Drive  
Arlington, VA 22202